

Facilitating access to orphan and out of commerce works to make Europe's cultural resources available to the broader public¹

Marie-Christine Janssens and Rán Tryggvadóttir²

1. Introduction.....	3
2. Hard Law to regulate the issue of orphan works	5
2.1. Problem statement: a rights clearance issue.....	5
2.2. Overview of the Orphan Works Directive (OWD).....	6
2.3. Critical assessment of the Directive.....	7
2.3.1. Subject-matter and scope (Art. 1)	7
2.3.1.1. Scope of application	7
2.3.1.2. Subject to many 'without prejudice' referrals.....	8
2.3.2. Beneficiaries of the Directive (Art. 1.2)	9
2.3.3. Works that may benefit from orphan work treatment.....	10
2.3.3.1. Types of works	10
2.3.3.2. Common conditions.....	11
2.3.3.3. Special conditions for public-service broadcasting organisations.....	12
2.3.4. Orphan work status in the meaning of the OWD.....	12
2.3.4.1. Definition of orphan work (Art. 2)	12
2.3.4.2. Situation of multiple rightholders (Art. 2)	13
2.3.4.3. Anonymous and pseudonymous works (Art. 2)	13
2.3.4.4. Recognition of status of orphan work with cross-border effect (Art. 4)...	14
2.3.4.5. Termination of the orphan work status (Art. 5)	15
2.3.5. The decisive condition of a diligent search (Art. 3)	16
2.3.5.1. Parameters for the diligent search	16
2.3.5.2. What are the requirements of the search obligation?	17
2.3.5.3. Who should perform the search?	18
2.3.5.4. Where to perform the search?	18
2.3.5.5. Records and information regarding the diligent search (Art. 3(5) and (6))	19

¹ Paper submitted at the Conference on *Copyright and the Digital Agenda for Europe: Current Regulations and Challenges for the Future*, 6 June 2014, Athens.

² M-C Janssens is a Professor at University Leuven (KU Leuven), Belgium; Head of the Centre for Intellectual Property Rights; R. Tryggvadóttir is PhD researcher Centre for Intellectual Property Rights at University Leuven (KU Leuven); Associate Professor (on leave) at Reykjavík University, Iceland.

2.3.5.6. ARROW (Accessible Registries of Rights Information and Orphan Works)	22
2.3.6. Scope of application of the (new) exception (Art. 6)	23
2.3.6.1. Methodology: a mandatory exception	23
2.3.6.2. Permitted uses & conditions	25
• Acts permitted	25
• Condition of public-interest mission	25
• Condition of attribution	26
• Application of the three-step test	26
• Works contained in the collection of beneficiaries	27
2.3.6.3. Recovery of costs and the possibility of public-private partnerships	27
2.3.7. Fair compensation for the “reappearing” rightholder (Art. 6 (5))	28
3. Soft Law to regulate the issue of out of commerce works	30
3.1. Introduction	30
3.2. The 2011 Memorandum of Understanding (MoU)	30
3.3. Overview of the “understandings”	31
3.3.1. Definition and scope	31
3.3.1.1. Definitions	31
3.3.1.2. Scope	31
3.3.2. Key principles of the understanding	32
3.3.2.1. Voluntary Agreements	32
3.3.2.2. Practical Implementation	33
3.3.2.3. Cross-border effect	34
3.4. The MoU offers an attractive but partial solution	35
3.5. Broader influential sphere of the MoU	35
4. The system of Extended Collected Licensing (ECL)	36
4.1. Introduction	36
4.2. The Nordic system of Extended Collective Licenses	37
4.2.1. Use of ECLs for cultural heritage institutions	38
4.2.1.1. Nordic ECL provisions for libraries and other cultural heritage institutions	38
4.2.1.2. ECL provisions for works of visual fine art	39
4.2.1.3. ECL provisions for the use of works in archives of broadcasting stations	39
4.2.2. ECL agreements and orphan works	40
4.2.3. Cross-border use of ECL agreements	40

5.	To conclude: Comparisons of the different solutions.....	41
5.1.	The cost.....	41
5.2.	The scope of application	42
5.3.	Cross-border applicability	43
5.4.	Legal certainty.....	43
5.5	Conclusion.....	43

1. Introduction

1. An awareness of the importance of the cultural heritage in the digital age has been at the heart of European Union's policies for the Information Society since the beginning of this century.³ The EU Commission has shown a particular interest in the issues of online access to cultural material and its digital preservation. This interest led to, among other things, the Digital Library Initiative in 2005.⁴

From the outset it has been recognised that, alongside significant technological and financial challenges, there were important legal constraints in the form of firmly established copyright principles that hampered EU's dream of setting up a European digital cultural heritage institution (i.e. Europeana). Seeking permission for the making available of each individual work indeed would turn a project of mass-digitisation "into an unrealistic giant's labour".⁵ Hence, an intervention at the EU level was deemed justified to ensure that the cultural and intellectual heritage would become accessible to all Europeans by means of new information technology.

2.. The issue of *orphan works*⁶ was identified as one of the key copyright challenges for digital libraries with regard to mass digitisation and online dissemination of the cultural heritage. This is due to the fact that although libraries and other organisations will usually own the physical copies to such works, they own no copyright in their collections and need to seek permission for making digital copies of the works available online. In the case of orphan works, it is impossible to obtain permission for such use which means that libraries and other cultural heritage institutions cannot pursue their (statutory) goals of promoting access to and preserve information on the cultural heritage without risking copyright liability. Although the precise number of orphan works is unknown, it has been convincingly demonstrated that they

³ Commission of the European Communities, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Challenges for the European Information Society beyond 2005"* (COM(2004) 575 final, 2004), 6.

⁴ The i2010 European Libraries Initiative set out the strategy for the digitisation and preservation of Europe's cultural heritage in digital libraries, highlighting the importance to clarify the copyright status of works and the cost of such clarification, especially for orphan works, in September 2005, see (COM(2005) 465 final.

⁵ S. Van Gompel, "The Orphan Works Chimera and How to Defeat it: A View from across the Atlantic", *Berkeley Technology Law Journal*, 2013/3, 1347.

⁶ As regards the meaning of this notion, see *infra*, 2.3.4.1.

represent a significant part of the collections of cultural institutions in Europe.⁷ The 'Google Books' strategy, based on a reversal of the copyright logic⁸, was clearly not an option under the European legal framework for copyright.⁹

3. Consequently, the EU Commission went in search of a unique solution for orphan works.¹⁰ First a soft-law approach to the issue was adopted.¹¹ That did, however, not bring about the desired result as very few Member States had undertaken appropriate initiatives.¹² Furthermore, national solutions that were used or implemented did not specifically address uses in an online cross-border environment.¹³ It was then decided to enact a legally binding instrument as "... the coexistence of uncoordinated national approaches governing orphan works in online libraries makes it difficult for a library to make orphan works available across EU Member States."¹⁴ The legislative approach resulted in 2012 in the adoption of the Orphan Works Directive.¹⁵

4. This Directive fits in the Europe 2020 Strategy as set out in the Communication from the Commission entitled 'Europe 2020: A strategy for smart, sustainable and inclusive growth', which includes as one of its flagship initiatives the development of a Digital Agenda for Europe. In a broader perspective, the OWD – as is the case with other copyright directives – seeks to remove market fragmentation and provide a legal framework that favours EU competitiveness as is always the primary objective of EU intervention.¹⁶ Clearly, digitisation and dissemination of the cultural heritage also has economic relevance since it also promotes free movement of information, creativity and innovation.¹⁷

⁷ Estimates vary considerably from one work category to another as well as within each category. The fluctuation seems to be biggest for orphan works in the category of printed material, ranging from the conservative estimate of 5% to the much larger amount of 50%; orphaned films are estimated to be around 12% and as much as 90% of photographs might be orphan works whereas the problem is minimal for musical works; SEC(2011) 615 final, *Impact Assessment on the Cross-Border Online Access to Orphan Works; Commission Staff Working accompanying the document Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works* (2011), 11 to 12 (hereafter "Impact Assessment 2011").

⁸ Briefly stated, Google proceeds to use protected works without seeking prior authorisation and applies an "opt-out" policy whereby rightholders are given the right to withdraw their works from Google's library upon request.

⁹ "The New Renaissance", Report of the Comité des Sages – Reflexion Group on bringing Europe's digital heritage online", http://ec.europa.eu/information_society/activities/digital_libraries/comite_des_sages/index_en.htm

¹⁰ COM (2010) 245 final/2 on Digital Agenda for Europe, 26 August 2010, key action 1.

¹¹ Commission Recommendation 2006/585/EC of 24 August 2006 on the digitisation and online accessibility of cultural material and digital preservation, OJ L 236, 31.8.2006 (hereafter "Commission Recommendation 2006").

¹² Hungry, France and the UK had some legal provisions dealing with the issue of orphan works with varying scope of applicability, Impact Assessment 2011, 12 and 48. The Nordic countries use the system of extended collective licences, see *infra* Section 4.

¹³ *Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works*, COM(2011) 289 final (hereafter "Proposal Directive OWD"), at 1 and Impact Assessment 2011, 12.

¹⁴ Proposal Directive OWD, *ibid*, 3-4.

¹⁵ Directive 2012/28/EU of the European Parliament and of the Council of 25 October 2012 on certain permitted uses of orphan works, OJ /L 299/5, 27.10.2012 (hereafter "OWD" or "the Directive").

¹⁶ Rosati, E., "Copyright in the EU: In Search of (In)Flexibilities", *Journal of Intellectual Property Law & Practice*, 2014, 9 (7), 585-598.

¹⁷ Klass, N. and Rupp, H., "Europeana, Arrow and Orphan Works. Bringing Europe's Cultural Heritage Online", in I. Stamatoudi en P. Torremans (eds), *EU Copyright Law. A Commentary*, Edw. Elgar Publ. Cheltenham, 2014, at n° 16.05; Koskinen-Olsson, T., "Digital libraries: Collective administration for online libraries – a rightholders' dream or an outdated illusion?" in L. Bently, U. Suthersanen and P. Torremans, *Global Copyright: Three Hundred Years*

5. A second area where the Commission has taken action in order to make it easier to digitize and make accessible the cultural heritage is the area of *out-of-commerce works*. This area was approached and dealt with in a very different way. Concurrently with the statutory initiatives in respect of orphan works, the Commission facilitated a stakeholders' dialogue to devise a solution for out-of-commerce works.¹⁸ This dialogue resulted in the approval of a Memorandum of Understanding on Key Principles on the Digitisation and Making Available of Out-of-Commerce Works (MoU) in September 2011.¹⁹

6. This paper will take a closer look at these two different approaches to solve problems that digital libraries face when seeking to make their massive content accessible online: the hard law approach in respect of orphan works and the soft law approach in respect of out-of-commerce works. The paper is structured accordingly in two main parts. However, as will be described below, these frameworks alone are not able to deal with all problems that libraries and other cultural heritage institutions face when seeking to offer access to their collections online. Therefore, in a third part, this paper will address one more possible solution that is often advanced in the debate, namely the adoption of a system of extended collective licensing (ECL).

2. Hard Law to regulate the issue of orphan works

2.1. Problem statement: a rights clearance issue

7. "The issue of orphan works is mainly a rights clearance issue i.e. how to ensure that users who make orphan works available are not liable for copyright infringement when the rightholder reappears and asserts his rights over the work."²⁰ So, clearly, the rights clearance issue constitutes the major problem in respect of orphan works. In exploring measures that could remedy this problem, a 'divide' could be identified between the two main groups of stakeholders. On the one hand, publishers and collecting societies maintained that use of such works should be subject to prior permission. As the author of the orphan work would be unable to grant the requisite authorisation, it was then suggested that collecting societies representing authors of the same category as the orphan work should be given a mandate to represent the 'lost parents'. On the other hand, libraries as well as internet search engines and archiving companies (e.g., Google and the Internet archive) preferred a statutory exception allowing cost-free digitisation of orphan works. They challenged the fairness of a fee to be paid upfront to a collecting society for the digital use of an orphan who might never show up. They expressed furthermore concerns as to "whether a collecting society, after having received the

Since the Statute of Anne, from 1709 to Cyberspace, Edward Elgar Publishing, Cheltenham/Northampton, 2010, at 253 ff.

¹⁸ European Commission, *Commission staff working paper accompanying the document Commission Recommendation on the digitisation and online accessibility of cultural material and digital preservation*, SEC(2011) 1274 (SEC(2011) 1274, 2011), 27.

¹⁹ Memorandum of Understanding, *Key Principles on the Digitisation and Making Available of Out-of-Commerce Works* (2011). See more, *infra*, Section 3.

²⁰ European Commission, *Green Paper. Copyright in the Knowledge Economy*, COM(2008) 466/3, p. 10 (hereafter "Green Paper 2008"); see also Report of the Public Hearing on Orphan Works, Brussels, 26.10.2009, at 1; accessible http://ec.europa.eu/internal_market/copyright/docs/copyright-info/orphanworks/report_en.pdf.

license fee for the use of an orphan would have any incentive to actively search for the orphan”.²¹

The approach that was finally adopted in the OWD, seems to be a compromise solution but it remains to be seen whether it takes sufficiently into account the concerns of the two divergent positions.

2.2. Overview of the Orphan Works Directive (OWD)²²

8. The OWD was adopted on 25 October 2012 and entered into force on the day following its publication, i.e. on 28 October 2012.²³ Member States have been given two years to transpose this Directive at national level which means that the OWD must be implemented by 29 October 2014. As the Directive concerns an EEA matter its provisions extend to the whole European Economic Area.²⁴ All references hereafter to the EU and its Members States will therefore include Iceland, Norway and Liechtenstein.

9. The main objective of the Directive is to create *a legally certain framework* to facilitate the digitisation and dissemination of orphan works²⁵ in order to aid the large-scale digitisation of collections or archives kept by various cultural heritage organisations.²⁶ Since these public-service organisations “contribute to the preservation and dissemination of European cultural heritage” they are key players for the creation of European Digital Libraries, such as Europeana.²⁷ This legal framework consists in the establishment of the conditions under which an orphan work status can be established throughout the whole EU and under which such works can be legitimately used.²⁸

²¹ *Ibid* (Report), at 1. The latter concern is currently dealt with in the Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market, hereafter the Collective Management Directive; cf. e.g. Art. 7 of the right of information for rightholders that are not members and Art. 13 on distribution of amounts due to rightholders.

²² For a further analysis and comments on this Directive, see e.g., E. Rosati, “The Orphan Works Directive, or throwing a stone and hiding the hand”, *Journal of Intellectual Property Law & Practice*, 2013, at 303; Suthersanen, U. and Frabboni, M., “The Orphan Works Directive”, in I. Stamatoudi en P. Torremans (eds), *EU Copyright Law. A Commentary*, Edw. Elgar Publ. Cheltenham, 2014, 653 ff; Klass and Rupp, *I.c.* footnote 17, at n° 16.93 ff; EIFL (Electronic Information for Libraries) Guide To The European Orphan Works Directive, June 2013, available at http://www.eifl.net/european-orphan-works-directive-eifl-guide#directive_problems, hereafter the *EIFL guide to the OWD*.

²³ Considering that it was the first Directive in the area of copyright law after a decade of silence since Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167, 22.6.2001 (hereafter “InfoSoc Directive”), such enactment may be qualified as a major realization.

²⁴ Explanatory Memorandum 2011, at 5.

²⁵ Although the notion ‘works’ that is used in the title and headings of the Directive, only seems to refer to copyright protected material, the Directive clearly embraces related rights as well; see Art. 1(2) *in fine* and Recitals (3) and (14) OWD.

²⁶ Recitals (3) and (25) OWD.

²⁷ Recital (1) OWD. It is added that “Creating large online libraries facilitates electronic search and discovery tools which open up new sources of discovery for researchers and academics who would otherwise have to content themselves with more traditional and analogue search methods”.

²⁸ Suthersanen and Frabboni, *I.c.* footnote 22, at nr. 13.01.

10. The present paper does not seek to discuss the many initiatives and preparatory documents that preceded the OWD both at the European level as well as at the level of individual Member States.²⁹ Its aim is to provide a critical analysis of the major rules of the Directive – as can be understood from its 25 Recitals, 12 Articles and annex - with particular attention to areas that have been either clearly, vaguely or not at all harmonised.

11. Briefly stated, the OWD's objective is to facilitate certain³⁰ uses of most but not all orphan works that are in the archives and collections of cultural heritage institutions in order to allow these organisations to achieve aims related to their public-interest missions (Art. 1). The Directive sets out when and how the orphan works status is achieved (Arts. 2-3) and ensures cross-border effect by mutual recognition (Art. 4). Rightholders are guaranteed the right to put an end to an orphan works status at any time, if they come forward (Art. 5). Until such time, the permitted uses of orphan works are facilitated by obliging Member States to create a new exception to the economic rights of reproduction and communication to the public right (Art. 6). Typical additional provisions ensuring respect of other rights, application in time, transposition and review of the Directive as well as its entry into force and addressees are dealt with in the final articles (Arts. 7-12).

12. These articles reveal the final choice made by the European legislator to solve the issue of orphan works between the various alternatives that had been explored and amply discussed in the past, running from legal presumptions to legal exceptions, extended collective licensing, mandatory collective management or authorisation to be granted by an administrative or judicial authority. Ultimately, the option of an additional exception – to be added to the long list contained in Art. 5 of the InfoSoc Directive – was put forward. This solution, in the form of a sort of 'legal rights clearance mechanism' should facilitate the major aim of the Directive consisting in enhancing *legal certainty* in the internal market for the beneficiary institutions to proceed with their digitization and dissemination activities of orphan works with a minimal risk of liability.³¹

2.3. Critical assessment of the Directive

2.3.1. Subject-matter and scope (Art. 1)

2.3.1.1. Scope of application

13. Article 1 delineates the general scope of application and, thus, makes immediately clear which issues remain open for independent national initiatives.

²⁹ For more details see, e.g., van Gompel, S., "Unlocking the potential of pre-existing content: how to address the issue of orphan works in Europe?", *International Review of Intellectual Property and Competition Law*, 2007, 669; Klass and Rupp, *l.c.* footnote 17, at nrs 16.32 ff.; Vuopala, A., "Assessment of the Orphan works issue and Costs for rights Clearance", European Commission, DG Information Society and Media, Unit E4 Access to Information, February 2010; Katharina de la Durantaye, "Finding a Home for Orphans: Google Book Search and Orphan Works Law in the United States and Europe", 21 *Fordham Intell. Prop. Media & Ent. L.J* 229 (2011);

³⁰ *Infra*, 2.3.6.2.

³¹ Recitals (9) and European Commission's Explanatory Memorandum to Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works, COM(2011) 289 final, 2011/0136 (COD), 1; (hereafter "Explanatory Memorandum 2011").

First, the Directive only applies to *certain uses*, i.e. the uses enumerated in Art. 6 leaving other forms of use – and in particular commercial uses – out of its scope of application. Second, the Directive only deals with *orphan works* in the meaning of Art. 2. In no way does the Directive hint at an analogous treatment of other in-copyright works, such as for example out-of-commerce works. In addition, and third, only *certain types of orphan works* are addressed in the Directive³² leaving the beneficiaries in the current state of legal uncertainty with respect to other orphaned copyrighted works or protected subject matter. Fourth, the Directive introduces a special treatment for *certain types of institutions* only³³; they will be referred to in this paper as ‘beneficiaries’ or ‘beneficiary organisations’. Fifth, only beneficiaries that are *established in a Member State* can invoke the special treatment.

Last but not least, only organisations that can demonstrate *a public-interest mission* may invoke the benefits of the OWD and, moreover, only to the extent the use of the work falls within the ambit of such mission. Apparently, more than the private or public nature of an organisation, the public-interest mission is ‘the’ crucial determining factor of the OWD. The European legislator, perfectly aware of the Google Books Saga performed at the other side of the Atlantic, has been keen to avoid that access to the cultural heritage could be controlled by entities pursuing a private (lucrative) goal. It is therefore surprising – and regrettable – that no further guidance is given in the substantive provisions of the OWD as to what is to be understood by a public-interest mission.³⁴ Recital (20) refers to activities such as “the preservations of, the restoration of, and the provision of cultural and educational access to, their collections, including their digital collections” but these factors are clearly not exhaustive.³⁵

2.3.1.2. Subject to many ‘without prejudice’ referrals

14. The OWD refers to an impressive number of rules and arrangements that should be given preference over those of the Directive itself and some of which are addressed elsewhere in this paper. This section provides a mere list of the various reservations in order to keep track of their total.

In particular, the OWD shall be without prejudice to

- Specific solutions being developed in the Member States to address larger mass digitisation issues, such as in the case of so-called ‘out-of-commerce’ works; Recital (4).
- The exceptions and limitations provided for in Article 5 of Directive 2001/29/EC; Recital (20).
- The arrangements in the Member States concerning the management of rights such as extended collective licenses, legal presumptions of representation or transfer, collective management or similar arrangements or a combination of them, including for mass digitisation; Recital (24). In relation with this, it is stipulated in Art. 10 that if a Member State has valid reason to think that the Directive is hindering national

³² *Infra*, 2.3.3.

³³ *Infra*, 2.3.2.

³⁴ Cf. Suthersanen and Frabboni, *l.c.* footnote 22, at nr. 13.09.

³⁵ See also more, *infra*, 2.3.6.2 where it will also be shown that the OWD does not entirely close the door to public-private collaborations.

arrangement of management of rights, the Commission has to react with a report on the situation and assessing the need for a proposal amending the Directive.

- National provisions on anonymous or pseudonymous works; Art. 2.5.
- The freedom of contract of beneficiary organisations in the pursuit of their public-interest missions, particularly in respect of public-private partnership agreements; Art. 2.5.
- Provisions concerning, in particular, patent rights, trade marks, design rights, utility models, the topographies of semi-conductor products, typefaces, conditional access, access to cable of broadcasting services, the protection of national treasures, legal deposit requirements, laws on restrictive practices and unfair competition, trade secrets, security, confidentiality, data protection and privacy, access to public documents, the law of contract, and rules on the freedom of the press and freedom of expression in the media; Art. 7.
- Any acts concluded and rights acquired before 29 October 2014; Art. 8.2.

2.3.2. Beneficiaries of the Directive (Art. 1.2)

15. Only certain *organisations* – and hence no individuals - can benefit from the Directive's exception for the use of orphan works. These beneficiaries can be grouped in four categories: (1) publicly accessible libraries, educational establishments and museums, (2) archives which presumably need not be publicly accessible³⁶, (3) film or audio heritage institutions, and (4) public-service broadcasting organisations.

16. One may assume that the above list of beneficiaries is *exhaustive* and that Member States are not allowed to extend the preferential treatment to other organizations. On the other hand, the Directive does not indicate whether Member States are obliged to implement the Directive in such a way that all the mentioned organisations should become beneficiaries and be able to use orphan works, although a positive answer seems arguable in view of the aims of the Directive. However, it seems to vary which and how many institutions are to be beneficiaries in the different Member States.³⁷

17. The first category of libraries, educational establishments and museums is subject to the condition that they are "*publically accessible*". No clarification is given as regards the meaning of this condition but this phrase had already been introduced in European Copyright Law in 2001 (see Art. 5(2)(c) InfoSoc Directive³⁸) and should probably be given the same meaning.³⁹ Recital (20) for that matter confirms that the OWD – also in respect of the second

³⁶ This is in line with art. 5(2)(c) InfoSoc Directive discussed below; see Bechtold, "Article 5" in Dreier and Hugenholtz, *Concise European Copyright Law*, Kluwer Law Intern., 2006, at 376.

³⁷ OHIM presentation for the Copyright Contact Committee 5 June 2013, *Setting up of single EU Orphan Works database* (2013).

³⁸ In this paper, this exception will also be referred to as the "EU libraries' exception"

³⁹ Awaiting further guidance from the European Court of Justice, it is submitted by Bechtold that public accessibility does not mean that no fee may be charged for the use of the relevant institutions or that only publically funded institutions may qualify. Rather it is meant that the institutions must grant access to the general public on a non-discriminatory basis. Hence, also private museums and schools may benefit from the exception (Bechtold, *o.c.* 2006, at 376-377).

category of archives - aims at the same organisations as those referred to in the InfoSoc Directive.⁴⁰

18. The Directive fails to indicate whether the *public or private nature* of the institution is a relevant factor but, taking into account the guidance provided in Recital (20), the answer seems to be in the negative. Also Suthersanen and Frabboni argue that both private and public institutions are covered as “the directive’s focus is (rather) on non-profit and/or non-commercial use”.⁴¹ As a consequence, private institutions that engage in commercial activities may qualify as beneficiary “if it can be shown that such organization includes publicly accessible, non-profit libraries, museums, etc. units within their organisations”.⁴²

19. Recital (20) clarifies what is meant by *film or audio heritage institutions* and *public-service broadcasters*. The former cover organisations that operate on a non-profit making basis and are designated by Member States to collect, catalogue, preserve and restore films and other audiovisual works or phonograms forming part of their cultural heritage while the latter cover broadcasters with a public-service remit as conferred, defined and organised by each Member State. So, clearly, in both cases a higher threshold is laid down as compared to the two first categories in the sense that some official recognition by a national legislator is required.

2.3.3. Works that may benefit from orphan work treatment

2.3.3.1. Types of works

20. The Directive covers *four types of works*:

- (1) writings, such as books, journals, newspapers and magazines⁴³,
- (2) cinematographic and other audiovisual works⁴⁴,
- (3) phonograms⁴⁵ and
- (4) embedded works, i.e. works or other protected subject-matter that are embedded or incorporated in, or constitute an integral part of the three aforementioned types of works.⁴⁶

21. Although it is not explicitly mentioned, the wording seems to indicate that the enumeration of works covered by the Directive is *exhaustive*.

⁴⁰ We observe that the language used in the OWD is clearer than in the Infosoc Directive as to whether museums have to be publicly accessible or not to be considered a beneficiary. In the Infosoc Directive reference is made to “publicly accessible libraries, educational establishments *or* museums whereas the OWD uses “publicly accessible libraries, educational establishments *and* museums”.

⁴¹ Suthersanen and Frabboni, *l.c.* footnote 22, at nr. 13.07 with reference to the original Commission’s Proposal for a Directive.

⁴² *Ibid.*, continuing by observing that “conversely, mass digitization or dissemination activities of a public state-sponsored museum may not necessarily fall within the directive’s exceptions should such a museum exploit orphan works for commercial purposes, beyond their public interest mission”.

⁴³ Art. 1(2)(a).

⁴⁴ Art. 1(2)(b) and (c). This category would cover all recordings of moving images, including slide presentations and video games; Suthersanen and Frabboni, *l.c.* footnote 22, at nr.13.13.

⁴⁵ Art. 1(2)(b) and (c).

⁴⁶ Art. 1(4). E.g. a photograph or other illustration contained in a published work; Explanatory Memorandum 2011, 4.

22. It should be observed, on the other hand, that the wording, and in particular the notion ‘*other writings*’ is, far from clear and may give rise to different interpretations in the Member States. Suthersanen and Frabboni submit that, although this phrase is in itself overarching enough to include a large variety of materials, it should be restricted in the Directive “*ejusdem generis* to *printed works*”.⁴⁷ This view seems to be confirmed by the examples used to describe the category of writings and which do not mention types of protected works such as images, photograph, paintings and other graphical works per se (unless they are contained in a published work^{48/49}). This interpretation is also in line with Art. 10 that endows the Commission with the obligation “to submit a report concerning the possible inclusion in the scope of application (...) of in particular stand-alone photographs and other images”. The omission of such works is indeed surprising in view of earlier findings that the orphan work issue is pressing especially in the area of visual art and photography.⁵⁰

2.3.3.2. Common conditions

23. The OWD only applies to works that are still *protected by copyright or related rights*.⁵¹ In the case of orphan works, whereby authors are very often unknown, this condition is somewhat peculiar. Only if the author can be identified (but cannot be located) the determination of the copyright status of the work is possible. In all other cases, beneficiaries are left with the same dilemma as before the Directive and may only benefit from legal certainty if they start from an assumption that all works of unidentified authors, or at least those from the last decade of the 19th century and onwards, are in-copyright works.⁵²

24. Furthermore, the Directive only applies to works that have been *first published* or, in the absence of publication, broadcast, *in a Member State*.⁵³ So, clearly, the orphan work exception will not cover works that are first published or broadcasted elsewhere in the world. This was decided for reasons of international comity.⁵⁴

No definition is given of what constitutes “a first publication or broadcast in a Member State”. The preparatory documents indicate that guidance should be found in the provisions of Art. 3 of the Berne Convention.⁵⁵

25. A special rule is added for *works that have never been published or broadcast* but that are still part of the collections of the beneficiary organisations (e.g. from private archives or

⁴⁷ Suthersanen and Frabboni, *l.c.* footnote 22, at nr.13.11-12.

⁴⁸ Explanatory Memorandum 2011, 4.

⁴⁹ Hence, according to Suthersanen and Frabboni, a photograph that is published as a post-card or as part of a catalogue could also be within the Directive’s ambit (*l.c.* footnote 22, at nr.13.12).

⁵⁰ Report of the Public Hearing on Orphan Works, Brussels, 26.10.2009, accessible http://ec.europa.eu/internal_market/copyright/docs/copyright-infso/orphanworks/report_en.pdf; Impact Assessment, 11.

⁵¹ Art. 1(2) *in fine*.

⁵² It is furthermore not established how and by whom it will be determined when a work, that has been given an orphan status, falls out of copyright protection and into the public domain. This is of relevance for the records in the OHIM database, *infra* 2.3.5.5.

⁵³ Art. 1(2)2 (a)-(c) OWD.

⁵⁴ Recital (12) OWD.

⁵⁵ For more details see, e.g., Dreier, Th., “The Berne Convention”, in Dreier and Hugenholtz, *Concise European Copyright Law*, Kluwer Law Intern., 2006, at 21-22.

correspondence). In such cases, the Directive will find application on the double condition that, first, the relevant work has been made publicly accessible with the consent of the rightholder and, second, that it is reasonable to assume that this rightholder would not oppose the uses that are allowed by the Directive. As we are dealing with unidentifiable and/or un-locatable rightholders, such a burden of proof may be extremely difficult to meet by beneficiary institutions.⁵⁶ A further question that emerges is whether this solution should be extended to the situation where it is impossible to locate a place of first publication or broadcast?

26. Finally, only works that are *contained in the collections or archives* of the beneficiary organisations fall within the ambit of the OWD.

2.3.3.3. Special conditions for public-service broadcasting organisations

27. For audiovisual works and phonograms that are contained in the archives of public-service broadcasting organisations, a double condition applies: the work should have been produced by this organisation and such production should have occurred before or on 31 December 2002.⁵⁷

28. The condition *produced by* includes audiovisual works which are co-produced or commissioned by the broadcasting organisation for the exclusive exploitation by them or by other co-producing public-service broadcasting organisations. The Directive does, however, not cover works which those organisation have been authorised to use under a licensing agreement (but not produced or commissioned themselves).⁵⁸

29. Recital (10) explains that the reason for *a cut-off date* was to take into account “the special position of broadcasters as producers of audio and audiovisual material and the need to adopt measures to limit the phenomena of orphan works in the future”. There is, however, no further explanation as to what the special position of broadcasters is or why this precise cut-off date was chosen. One may assume that the special position of broadcasters with regard to material they have produced themselves is that they should be in a position to keep an overview over rightholders in each production as producers. However, that still does not explain why the cut-off date of 31 December 2002.⁵⁹

2.3.4. Orphan work status in the meaning of the OWD

2.3.4.1. Definition of orphan work (Art. 2)

30. At the time of the adoption of the OWD various concepts and definitions of orphan works were used in preparatory and other documents ranging from ‘difficult’ to ‘impossible’ to identify or locate the owner.⁶⁰ It seems that the European legislator has preferred not to play

⁵⁶ See also Suthersanen and Frabboni, *l.c.* footnote 22, at nr.13.20, deploring the lack of guidelines in this respect.

⁵⁷ Art. 1(2)(c) OWD.

⁵⁸ Recital (11) OWD. For critical remarks, see Suthersanen and Frabboni, *l.c.* footnote 22, at nr. 13.16.

⁵⁹ The European Broadcasting Union (EBU) was against a specific cut-off date for public-service broadcasting organisations and felt it should be left to Member States to decide according to the situation in each country. EBU therefore supported the deletion of such a cut-off date as suggested by the European Parliament in the legislative process, cf. EBU’s position on the proposal for the OWD, 27 March 2012.

⁶⁰ See, e.g., Commission Recommendation 2006, Recital (10) (“difficult to locate”); Green Paper 2008, at 10 (“cannot be identified or located”); Communication on Europeana, COM(2009) 440final, at 5 (“impossible or very difficult to trace the rightholders”); *Final Report on Digital Preservation, Orphan Works, and Out-of-Print Works of*

with words but rather focus on the prerequisites to be fulfilled. Article 2 of the Directive thus states that a work or a phonogram “shall be considered an orphan work” if the following *four conditions* are cumulatively met:

- (1) the work is protected by copyright or neighbouring rights⁶¹; this condition was already explicitly stated in Art. 1(2) *in fine*⁶² and is reiterated here in the phrase ‘rightholders’;
- (2a) none of the rightholders in that work or phonogram is identified; (2b) alternatively, if one or more of them is identified, none of these known rightholders can be located;
- (3) a diligent search for the rightholders has been carried out that did not reveal either the identity or location of one of the rightholders; and
- (4) the results of this diligent search are duly recorded in compliance with Art. 3 OWD.

Consequently, even though many works may be considered ‘orphans’ in a general linguistic sense, only those works that fall within the scope of application of the Directive (*supra*, 2.3.3.1) and that in addition comply with all the elements of the above definition can be given this status in a legal European copyright sense.

2.3.4.2. Situation of multiple rightholders (Art. 2)

31. Section 2 of Art. 2 subsequently deals with the very realistic situation of works involving more than one rightholder - which is something for the beneficiary user to establish as well! - and whereby only some of them have been identified and located. In such a case the work “should not be considered an orphan work”.⁶³ The beneficiary organisations will only be able to use the whole work if they have secured the permission of those identified and located rightholders (albeit only in respect of the individual rights the latter hold in the work).

2.3.4.3. Anonymous and pseudonymous works (Art. 2)

32. The last part of Art. 2 makes a reservation for national provisions on anonymous and pseudonymous works that, indeed, constitute a special type of orphan works as their authors are, by definition, not known. Unfortunately, the OWD does not elaborate on this situation.

33. A starting point for further guidance can be found in already existing rules that deal with these types of works, although in relation to the different issue of the computation of the term of protection. Art. 7(3) Berne Convention, which is echoed in Art. 1(3) Term Directive, imposes in a mandatory manner that the duration of copyright should be calculated as from the date the work has been lawfully made available to the public. Even more interesting is the mandatory rule in Art. 15 Berne Convention that obliges member countries to provide for certain presumptions for persons to be regarded as ‘authors’ and consequently be entitled to

the Copyright Subgroup of the High Level Expert Group on Digital Libraries, http://www.europeanwriterscouncil.eu/images/pdf/digitallibraries/2copyright_subgroup_final_report_4June08-Main.pdf (hereafter “Final Report HLEGDL”), at 10 (“cannot be identified or located”).

⁶¹ So, clearly, this ‘copyright’ approach was chosen above the alternative of a ‘public-domain with opt-in’ approach.

⁶² *Supra*, 2.3.3.2.

⁶³ Recital (17) OWD.

institute infringement proceedings.⁶⁴ In the case of anonymous and pseudonymous works, Art. 15(3) prescribes that “the publisher whose name appears on the work shall, in the absence of proof to the contrary, be deemed to represent the author”. This mandatory rule (of presumption) is of a purely procedural nature rather than being substantive law and national legislators are free to enact more far-reaching rules.⁶⁵ Some Member States indeed provide that the publisher “is deemed to be the author” rather than merely representing him.⁶⁶ Also the notion “publisher” is left to national interpretation.

Of course, and in line with Art. 7(3) Berne Convention and 1(3) Term Directive, this rule of presumption will not apply where the pseudonym adopted by the author leaves no doubt as to his or her true identity, and if the author of an anonymous or pseudonymous work himself⁶⁷ discloses his or her identity during the 70-year period after the date the work has been lawfully made available to the public.

34. Hence, for the purpose of applying the OWD, beneficiary organisations will need to familiarise themselves with the applicable rules in this respect in the Member State of first publication of the work as these rules may prevent application of the Directive to a particular orphan work.

35. As a final observation, we remark that, if the name of a publisher is affixed to an anonymous or pseudonymous work – but that would also be the case for ‘normal’ works - it seems less likely that the work will benefit from legal orphan work status, unless also the relevant⁶⁸ publisher is no longer known or locatable.

2.3.4.4. Recognition of status of orphan work with cross-border effect (Art. 4)

36. A common European approach is imposed to legally determine the orphan work status: such status shall automatically be recognised without further conditions in the whole of the European Union as from the moment such a status is established in one Member State.

As the wording ‘shall’ indicates, the Directive imposes in this way a unique ‘*principle of mutual recognition*’ as regards the recognition of the status of an orphan work. This rule was considered essential to facilitate cross-border use so that the relevant organisations will be able to make the orphan works available to the public in other Member States.⁶⁹ Lacking such a rule, it was indeed unlikely that Member States would individually decide to recognise diligent searches carried out in other jurisdictions and give effect to such searches in their own

⁶⁴ “(I)t shall be sufficient for his name to appear on the work in the usual manner”. A similar procedural rule of presumption has been imposed upon the European Member States in Art. 5 Enforcement Directive but it does not deal with the representation of the authors of anonymous and pseudonymous works.

⁶⁵ Dreier, 2006, at 66.

⁶⁶ See, e.g. Art. 6 Belgian Copyright Act (“L’éditeur d’un ouvrage anonyme ou pseudonyme est réputé, à l’égard des tiers, en être l’auteur”).

⁶⁷ Disclosure by a third party after his death, should have no effect; D. Visser, “Term Directive”, in Dreier and Hugenholtz, *Concise European Copyright Law*, Kluwer Law Intern., 2006, at 293.

⁶⁸ It may also happen that the publisher/rightholder is locatable but that he does not possess the required digital rights.

⁶⁹ Recital (23) OWD.

jurisdiction.⁷⁰ Instead, the European legislator has now mandated that the uses described in the OWD be permitted in all Member States as from the date of the establishment of the orphan work status of a work in one Member State.

The importance of the chosen solution of mutual recognition should be emphasized as, until now, the traditional view has been that exceptions can only be used in the country where they are enacted.⁷¹ In respect of orphans, it will be possible for beneficiaries that have a copy of the orphan work in their collection, to make use of the work or phonogram as permitted by the Directive in all the Member States until the moment the rightholder puts an end to the orphan status.

37. Unfortunately, there are no further provisions in the Directive as to *how* the mutual recognition should be precisely established which leaves a lot of marginal manoeuvring room. The Directive also fails to establish *when* exactly a work will legally receive an orphan work status in one Member State and whose responsibility it is to finally afford that legal status. Will this status immediately and automatically be established once the diligent search has been carried out or will that need to be ascertained and by whom? The legal point of departure could possibly be the reception or validation of the search results by the national competent authority or the moment of either the recording of such information or the date from which the information on the orphan work status is available in the OHIM database.⁷²

2.3.4.5. Termination of the orphan work status (Art. 5)

38. If a rightholder to a work that has been granted an orphan work status comes forward, he or she, will have the possibility to put an end to the orphan status as far as his or her rights are concerned.

The rule seems obvious but its practical application and consequences are less clear and left to the responsibility of the Member States. Hence, a lot of issues will be determined at the national level whereby different approaches will be likely.

39. A first important question relates to the cross-border effect of the decision to terminate the orphan work status as – contrary to the establishment of such status - there is no similar provision in the Directive stipulating a mutual recognition of the termination. It has been

⁷⁰ Impact Assessment 2011, at 14. See also, at 18: “The principle of mutual recognition would thus have the double advantage of identifying a single relevant jurisdiction where a diligent search is most conveniently conducted and of ensuring that the search would not have to be duplicated in all the other EU Member States when their libraries contain the same orphan works in their own collection or where the orphan work will ultimately be made available online”.

⁷¹ This is not expressly stipulated anywhere, except for exceptions with regard to broadcasting and for sound recordings, cf. Art. 11bis (2) and Art. 13(1) of the Berne Convention, but this can be assumed from the principle of territoriality and national treatment. Another approach to overcome the cross-border issue of exceptions can be found in Art. 5 of the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled („Contracting Parties shall provide that if an accessible format copy is made under a limitation or exception or pursuant to operation of law, that accessible format copy may be distributed or made available by an authorized entity to a beneficiary person or an authorized entity in another Contracting Party”).

⁷² See *infra*, 2.3.5.5. This was an issue of concern for many Member States at the EU Copyright Contact Committee meeting on 5 June 2013 who wondered how the validation would be performed and how much involvement that would mean for the relevant national competent authority.

proposed to give the same legal treatment to both occurrences i.e. that once the orphan status is terminated in one Member State it must be considered terminated in the others, as otherwise there would be imbalance between the interest of the rightholders and the cultural heritage institutions able to use the orphan work.⁷³

40. There are many other questions of a more practical as well as a legal nature that come to mind.

Where (e.g. in the Member State where the first diligent search took place?) and to whom (e.g. the beneficiary users, the national competent authority, OHIM?) should the rightholder turn with his claim? If the claim is not directly addressed to the beneficiary users, who should then be responsible to communicate to the relevant organisations that the work has changed status? One could argue that the beneficiaries, i.e. the users of orphan works, bear the onus of proving that the work is really an orphan work but who should be responsible for alerting them of the end of the orphan work status? ⁷⁴ This uncertainty may imply important liability questions as, according to settled copyright principles, and lacking a specific exception in this respect, continuation of the use of such a work can only be lawful with the authorisation of the newly “found” rightholder.⁷⁵

There is also no hint in the Directive as to what sort of proof is required to prove assertion of copyright ownership. And would it be possible for a third party or a collecting society which operates under a national extended collective licensing mandate to terminate the orphan status on behalf of a rightholder?⁷⁶

2.3.5. The decisive condition of a diligent search (Art. 3)

2.3.5.1. Parameters for the diligent search

41. The recognition of the status of orphan work requires a prior diligent search. This requirement was considered to provide greater legal certainty against later infringement actions.⁷⁷ Article 3, juncto Art. 2, imposes the responsibility for such a search on the relevant beneficiary organisation.

Other provisions in the Directive contain further details about the requirements that the search should meet (*infra* 2.3.5.2), who should perform the search (*infra* 2.3.5.3), where the search should be carried out (*infra* 2.3.5.4) and how the results of the search should be recorded and made available (*infra* 2.3.5.5). Although it appears at first sight that the European legislator has taken care to provide for a comprehensive harmonised framework, it will result from the analysis hereafter that ample room is still left for independent national regulations (or jurisprudence) regarding these four aforementioned issues.

⁷³ Manon A.A. Oostveen and Lucie Guibault, *Summary report on IPR issues faced by Europeana and its partners* (2013).

⁷⁴ Cf. Art. 61b of the German Copyright Act (Das [Urheberrechtsgesetz](#) vom 9. September 1965 (BGBl. I S. 1273)), as changed to implement the OWD, and which now provides that as soon as a user hears of a rightholder the use of the work should be stopped.

⁷⁵ Recital (17) OWD.

⁷⁶ Suthersanen and Frabboni, *l.c.* footnote 22, at nr. 13.48.

⁷⁷ Impact Assessment 2011, at 35.

2.3.5.2. What are the requirements of the search obligation?

42. To comply with EU law, the search will need to meet at least the following *four conditions*: it is required that a search be conducted (1) in a diligent way, (2) in good faith, (3) in respect of each work and (4) prior to the use. To be complete, we should also mention a fifth essential condition discussed elsewhere, namely that the results of the search must be recorded as provided for in Art. 3.⁷⁸

43. The Directive does not provide much guidance as regards the exact meaning of the first two conditions. Hence, it may be expected that the Court of Justice will at some point in the future be asked for guidance on the ‘autonomous and uniform interpretation’⁷⁹ of the notions ‘*diligent*’ and ‘*in good faith*’ used to prescribe the obligation. From a literal understanding of the text, it can be inferred that the obligation of ‘good faith’ relates to the search rather than to the organisation who conducts it. Art. 3(1) moreover implies that regard should be given to *the sources* that were consulted and the *appropriate* character thereof. In Recital (14) it is finally suggested that Member States could refer to the diligent search guidelines agreed in the context of the High Level Working Group on Digital Libraries established as part of the i2010 digital library initiative.⁸⁰

44. It appears that the European legislator has adopted a flexible approach whereby much manoeuvring room is left to each Member State to finally determine *which sources* should be consulted for each category of works or phonograms on the sole condition that at least the many sources listed in the Annex to the Directive are included into the list.⁸¹ This flexible approach has the advantage that it will allow to adjust listings to rapidly changing information sources and search techniques.⁸²

On the other hand, the OWD does require that, when drafting an individual list, Member States consult with users and rightholders (Art. 3(2)). As this latter group is normally not available for discussion, it may be presumed that the European legislator wanted representative collective societies to participate in such discussions. Their presence will certainly be very helpful for the conception of guidelines that are specific to different types of works in different fields. We

⁷⁸ *Infra*, 2.3.5.5.

⁷⁹ See, e.g., CJEU case Sena, C-245/00, at 24; case SGAE, C-306/05, at 31 and case Donner, C-5/11, at 25: “The need for uniform application of Community law and the principle of equality require that the terms of a provision of Community law which makes no express reference to the law of the Member States for the purpose of determining its meaning and scope must normally be given an autonomous and uniform interpretation throughout the Community”.

⁸⁰ *Memorandum of Understanding on Diligent Search Guidelines for Orphan Works*, 4 June 2008, <http://www.ifrro.org/upload/documents/Memorandum%20of%20Understanding%20orphan%20works.pdf>; It is, however, submitted by Suthersanen and Frabboni that these guidelines do not yield many specific steps (*l.c.* footnote 22, at nr. 13.33).

⁸¹ For example, for literary works, as well as visual works included in them, the sources listed in the Annex are legal deposits, existing databases and registries, e.g. ARROW, WATCH (Writers, Artists and their Copyright Holders, VIAF (Virtual International Authority Files), ISBN (International Standard Book Number) and ISSN (International Standard Serial Number), databases of relevant collecting societies, indexing and catalogues from library holdings and collections, the publishers and authors associations.

⁸² Final Report HLEGDL, at 15. The ELIF on the other hand recommend Member States not to add more items to the list of sources when implementing the Directive as this may add further complications for libraries with regard to the diligent search, cf, the ELIF Guide to the OWD, p. 8, *supra* footnote 22.

would indeed advocate that when assessing the condition of ‘diligent search’, special regard needs to be given to the type of work and the sector-specific criteria that exist.

45. It will be interesting to closely follow up on future developments as regards the individual countries’ lists of sources as this may help to sharpen the contours of what can be considered ‘diligent’ and ‘appropriate’ in the sense of the OWD.⁸³ Some commentators expect that also the single online database at OHIM (*infra*, 2.3.5.5) may, in time, perhaps supersede the importance of national searches.⁸⁴

2.3.5.3. Who should perform the search?

46. As the wording of Art. 3 suggests, the beneficiary user bears the responsibility for the accomplishment of a search but is not required to carry it out itself. This is also explicitly acknowledged in Recital (13) that refers to the possibility to appeal to “other organisations (...) for the service of carrying out a diligent search” that may even charge for such services.⁸⁵ It does not require much imagination to apprehend that the line between the (permitted) charging of a fee for search services and the (non-permitted) financial gains that can be economized on public-private partnerships that have been set up in a framework of mass-digitization, will not always be easy to draw.

2.3.5.4. Where to perform the search?

47. The answer to this question is mandatorily prescribed in the Directive: the search should only be carried out once in one Member State, namely in *the country where the work was first published*.⁸⁶ This ‘one search per Member State principle’ is dictated by the goal to avoid expensive duplication of search efforts.⁸⁷

As usual, the general rule is complemented with alternatives to take care of special situations.

48. First, for works that have not been published but have been *broadcasted*, which is regularly the case with phonograms, the search obligation can be limited to the Member State of the first broadcast.

49. Second, and in both of the above cases, if there is evidence to suggest that any *relevant information* on the rightholders is to be found *in another country*, the search efforts should be concentrated there. If such information is available in several countries, the search should then be conducted in all those countries. This rule constitutes an important exception to the ‘one search per Member State principle’.

Moreover, as the use of the word ‘country’ in both the Article and the Preamble seems to suggest, the obligation is not limited to European Member States and may thus – also in view of the broad notion of ‘any relevant information’ - involve very expensive and time-consuming

⁸³ See, e.g. the intention of the UK Government to publish regulations and guidance on what will constitute a diligent search (IPO, *Factsheet - Orphan Works Licensing Scheme and Extended Collective Licensing* (2013), 2).

⁸⁴ Suthersanen and Frabboni, *l.c.* footnote 22, at nr. 13.36.

⁸⁵ Such search could for example be carried out by an organisation like ARROW, see *infra*, 2.3.5.6.

⁸⁶ This condition should be read together with a similar condition in Art. 1(2) *in fine* (see *supra*, 2.3.3.2).

⁸⁷ Art. 3(3) and (4) and Recital (15) OWD.

searches.⁸⁸ This was an issue of concern during the preparatory works and it is to be regretted that no more viable solution was ultimately adopted.⁸⁹

50. Third, a special rule applies to *cinematographic or audiovisual works* whereby the diligent search has to be carried out in the Member State where the producer has his or her headquarters or habitual residence, provided of course that there is such a residence in a Member State. In the case of a co-production, Recital (15) indicates that the search should be undertaken in each of the Member States where one of the producers is established.

51. Fourth, as regards works or phonograms that have *never been published* or broadcast but have been made publicly accessible by one of the beneficiary organisations – this is the case covered by Art. 1(3) – the diligent search has to be carried out where that organisation is established.

52. All the above rules may also apply to searches for the rightholders in works and other protected subject-matter that are embedded or incorporated in a work or phonogram as they need to be carried out in the Member State where the search for the latter work or phonogram needs to be carried out.⁹⁰

2.3.5.5. Records and information regarding the diligent search (Art. 3(5) and (6))

53. As regards the follow-up of the diligent search, the Directive distinguishes between three players:

- (1) the beneficiary organisations that have undertaken the search and subsequently make use of an orphan work,
- (2) one or more competent national authorities that Member States are required to set up or designate, and
- (3) the single online database that will be established at, and managed by, the Office for Harmonization of the Internal Market (OHIM).

54. The group of the *beneficiary users* is entrusted with two – in some countries maybe three – duties.

First, they have to *keep all search records on file* so that it can always be verified whether the search was conducted in a diligent manner.⁹¹ This is important because if due to a non-diligent search it appears that a work or phonogram has been wrongly found an orphan work, any use of the work may give rise to remedies for copyright infringement as provided for in the relevant national legislation.⁹² It is, however, not stipulated for how long the search records should be kept.

⁸⁸ See Table A6 ‘cost of diligent search: some examples’ in Impact Assessment 2011, at 56-57.

⁸⁹ Cf. Suthersanen and Frabboni, *l.c.* footnote 22, at nr. 13.38.

⁹⁰ Recital (15) OWD.

⁹¹ Art. 3(5) and Recital (15) OWD.

⁹² Recital (19) OWD. We observe that this Recital was not in the original proposal; it was only added during the Polish Precedency; see Council, *Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works - Presidency compromise proposal* (15190/11 PI 125 AUDIO 45 CULT 75 CODEC 1624, 2011), Recital (16) at the time.

Second, beneficiaries have to *provide the results* of all diligent searches as well as certain types of information *to the competent authority* that will be designated by the national legislator. The data to be transmitted should, at least include, information of the use they have made of an orphan work, any change in the orphan work status⁹³ and contact information on the organisation concerned.⁹⁴

Third, but that will depend on the individual legislation in Member States, they may be required to also *forward all these data to OHIM*. However, although this is nowhere expressly stipulated in the OWD, the prototype OW user interfaces presupposes that it is for the competent national authority to forward the data from the beneficiary user to OHIM.⁹⁵

55. As regards the responsibilities of the *competent national authority*, the Directive provides little guidance.⁹⁶ Whether and how it should process all the requisite information and what its role should be other than receiving and/or transmitting the above mentioned information, are matters left at the discretion of the individual legislators.⁹⁷ It should be noted that there is no obligation for Member States to set up a national database to provide assistance to users in their search.⁹⁸

56. Art. 3 (6) mandates that all the above mentioned information is *recorded in a single publicly accessible online database* at OHIM. Yet again, it is not stipulated who should be responsible for forwarding the information to the OHIM database. The Directive only requires that the Member States should forward it “without delay upon receiving it from the (relevant) organisation”. It is to be expected that, in practice, this duty will probably be entrusted to the national competent authority as this is how the prototype of the OHIM orphan works database has been set up⁹⁹, but also other solutions are not to be excluded as this issue is left open for national initiatives.

An important question that is not answered in the Directive is whether recording in the single database is a precondition for a work to be considered orphan in the understanding of the Directive.

⁹³ The wording of the Art. 5 OWD seems to be clearly limited to changes to the orphan work status that occur because a rightholder comes forward. This leaves out the change in status when the work falls out of copyright protection. This is of relevance for the records in the OHIM database, *infra* 2.3.5.5.

⁹⁴ Orphan Works Directive, Art. 3(5) OWD.

⁹⁵ *Infra*, para 56.

⁹⁶ It appears that the reason for requiring the establishment of a competent national authority in the OWD stems from a requirement in Reg. No. 386/2012 on the tasks of OHIM, Art. 2(2)(k), see *infra* footnote 100. The provision in Art. 2(2)(k) states that OHIM is to work with national authorities in developing an online network.

⁹⁷ At a meeting of the EU Copyright Contact Committee on 5 June 2013 it was reported that some 24 Member States had answered questions regarding the competent national Authority. 9 countries were going to appoint the Ministry of Culture or a Copyright Organisation or another authority appointed by the Ministry of Culture, 2 were having the Ministry of Justice, 1 the Ministry of Economy, 4 were going to appoint the Patent and Trademark Office, 3 the National Library and the National film heritage centre (for films), 1 the national aggregator for Europeana, 1 the supervisory authority for CMOs and 5 were not decided. From the discussion at the meeting it was clear that many Member States were concerned that the role of the competent national authority should not be too burdensome.

⁹⁸ Some Member States, e.g. Hungary, do have such a register of orphan works.

⁹⁹ OHIM Orphan Works User Interfaces, *Prototype Version 2.0 – 01.04.2014*, 6.

57. Art. 3(6) provides that this central database will be established and managed by the *Office for Harmonization in the Internal Market (OHIM)* in accordance with Regulation (EU) No 386/2012.¹⁰⁰ The designation of the OHIM – also known as the European Trademarks and Designs Office in Alicante – as the ‘single publicly accessible online database’, came as a surprise¹⁰¹, in particular because OHIM has never previously dealt with copyright protected works. Those looking for information on orphan works and who are not familiar with the details of the Directive may therefore overlook OHIM as a potential source.¹⁰² Recital (16) provides some explanation highlighting in particular that one of the tasks of OHIM - to be financed of its own budgetary means - is to provide “mechanisms which help to improve the online exchange of relevant information between Member States’ authorities concerned and fostering cooperation between those authorities” in the field of intellectual property rights. The financial side was probably an important determining factor in endowing OHIM with this task rather than for example Europeana which, as some commentators had suggested, might have been a more appropriate institution for the task.¹⁰³

58. The aim of the unique central database is to secure that the exchange of information online will proceed in a consistent manner amongst beneficiaries in all Member States. In pursuing this aim, the Directive imposes a new type of mandatory registration of copyright protected works in an official database. This requirement of formality is interesting in the light of the on-going debate on the prohibition to impose formalities as a condition for the protection and exercise of rights enshrined in Art. 9(2) of the Berne Convention as was subsequently incorporated into the TRIPs Agreement.¹⁰⁴ In the current era of digital networks and increasing globalization, however, a formalist view of this Berne anti-formalities obligation has become under pressure and orphan works are regularly mentioned in this debate.¹⁰⁵ While this discussion exceeds the purposes of the present paper, we would argue that the obligation to record information on orphan works in a database is not really problematic from the

¹⁰⁰ Regulation (EU) No 386/2012 of the European Parliament and of the Council of 19 April 2012 on entrusting the Office for Harmonization in the Internal Market (Trade Marks and Designs) with tasks related to the enforcement of intellectual property rights, including the assembling of public and private-sector representatives as a European Observatory on Infringements of Intellectual Property Rights. Although this is a text with EEA relevance, there has been some uncertainty with regard to the compliance with this obligation for EFTA-EEA states that are not part of the OHIM structure and who do not consider Regulation (EU) No 386/2012 to be EEA relevant. However, it seems that the EFTA-EEA countries will, nevertheless, be able to use the database in the same way as the EU Member States provided that they will pay for translation costs of interfaces where that is relevant; cf. internal report by the EFTA Secretariat of the meeting of the EEA EFTA Working Group on Intellectual Property Rights on 3 December 2013.

¹⁰¹ This proposal emerged in the compromise text approved by the Parliament.

¹⁰² Guibault L, ‘Are European orphans about to be freed?’, *Kluwer Copyright Blog*, 21 september 2012, <http://kluwercopyrightblog.com/2012/09/21/are-european-orphans-about-to-be-freed/>.

¹⁰³ *Ibid.*

¹⁰⁴ It should be observed that such prohibition only lasts for the minimum term of protection guaranteed by the Berne Convention, i.e. 50 years following the death of the author.

¹⁰⁵ On the issue of the possible reform(aliz)ing of copyright, see, e.g., S. Dusollier, “(Re)Introducing Formalities in Copyright as a Strategy for the Public Domain”, in *Open Content Licensing: From Theory To Practice*, Lucie Guibault & Christina Angelopoulos eds., 2011, 103–05; Michael W. Carroll, “A realist approach to copyright law’s formalities”, *Berkeley Technology Law Journal* 28:3 (2013), at 1511; Stef Van Gompel, *Formalities In Copyright Law*, Kluwer, 2011, 1–8. See also Section 2.C of *Public Consultation on the Review of the EU copyright rules*, available at http://ec.europa.eu/internal_market/consultations/2013/copyright-rules/docs/consultation-document_en.pdf.

perspective of the Berne obligation as it relates to a condition to benefit from an exception rather than to be granted copyright protection for such works.¹⁰⁶

59. The OHIM database is not yet in operation. The European Commission expects that the whole system will be ready by the end of 2014, i.e. at the time that the Directive is fully implemented.¹⁰⁷ It is hoped for that this database will play an important role in preventing and bringing to an end possible copyright infringements, particularly in the case of changes to the orphan status of works.¹⁰⁸ As indicated above, it is even expected that this database may within time, also represent the authoritative and comprehensive one-stop search for certain works, allowing one single search in its register to qualify as a sufficient diligent search.¹⁰⁹ By then the current concern that a work might be qualified as ‘orphan’ in one Member State, although its author is known in another¹¹⁰, might largely have faded away.

Yet, until that time, there may be many hurdles to take and challenges to overcome. In particular securing interoperability and interaction with (optional) national databases or other voluntary initiatives such as ARROW¹¹¹ will be of paramount importance.¹¹²

2.3.5.6. ARROW (*Accessible Registries of Rights Information and Orphan Works*)¹¹³

60. Although not regulated in the OWD, it seems useful to add some comments on the ARROW project as it could be an ideal partner for libraries to establish the orphan work status of books.

ARROW results from another European project that emerged out of the general objective to protect the European cultural heritage and facilitate online access thereto in the interest of the European citizens, and the Europeana project in particular.¹¹⁴ Although ARROW was set up to assist Europeana and affiliated libraries, its system will also be available to other users, including from the private sector.¹¹⁵

¹⁰⁶ See also a project by WIPO, “Survey on Voluntary Registration and Deposit System”, including Information on how Member States address the issue of orphan works with voluntary registrations, http://www.wipo.int/export/sites/www/meetings/en/2011/wipo_cr_doc_ge_11/pdf/vazquez.pdf

¹⁰⁷ <http://www.arrow-net.eu/news/arrow-plus-final-conference.html>; see also European Observatory on Infringements of Intellectual Property Rights (OHIM), *Multiannual Plan 2014-2018*, at 24.

¹⁰⁸ Recital (16) OWD.

¹⁰⁹ Suthersanen and Frabboni, *I.c.* footnote 22, at nr. 13.41.

¹¹⁰ A. Kur and Th. Dreier, *European Intellectual Property Law*, Edw. Elgar 2013, at 283.

¹¹¹ *Infra*, 2.3.5.6.

¹¹² Final Report HLEGDL, at 11: “The interlinking of national databases and registries is needed to achieve a common multilingual access point and a European-wide resource”.

¹¹³ See more details on ARROW and ARROW Plus at <http://www.arrow-net.eu/>, as well as in Suthersanen and Frabboni, *I.c.* footnote 22, at nr. 13.41-45 and references below.

¹¹⁴ Klass and Rupp, *I.c.* footnote 17, nrs. 16.100 ff.

¹¹⁵ See www.arrow-net.eu/sites/default/files/ARROW_BusMod_Executive_Summary.pdf: (“The ARROW infrastructure will be organised as a federated rather than a centralised system. It will be a network of resources, accessible from a single access point. Because of its network nature, the ARROW system consists also of a set of relationships with other players. ARROW needs the involvement of such key players in its governance and to design stable contractual agreements with third parties that are crucial to provide the service (e.g. The European Library, VIAF, Books in print providers, RROs). The relationship with other entities is likely to take the form of a network of contractual links, which will constitute yet another cost category”.

61. In essence, ARROW serves as a tool for automated rights clearance searches and for facilitating rights information management in any digitisation project involving text and image-based works.¹¹⁶ It is also expected that the registration facility will constitute a useful instrument to prevent the birth of orphan works in the future.

In particular, ARROW seeks to streamline the process of identification of authors, publishers and other rightholders of a work and include information to determine whether the work is orphan, in or out of copyright or if it is still commercially available.¹¹⁷ Also information on where permission can be sought will be provided but ARROW will not issue or negotiate licenses for use.

62. During the lifespan of the initial ARROW project four countries implemented the system fully while during its successor ARROW Plus, five more countries have put the system in place. By the end of 2013, an additional seven countries were in an advanced implementation stage.¹¹⁸

Challenges for the future will be the follow-up of the ARROW Plus project which came to an end in 2013 as well as the extension of the registry to images and other protected subject matter. At this point in time ARROW is limited to books.

2.3.6. Scope of application of the (new) exception (Art. 6)

2.3.6.1. Methodology: a mandatory exception

63. Article 6 imposes upon the Member States the obligation to provide for an exception or limitation¹¹⁹ to the rights of reproduction and making available to the public as such rights are provided for in Articles 2 and 3 of the InfoSoc Directive¹²⁰, to ensure that the beneficiary organisations are permitted to use orphan works contained in their collections in the manner further described in the article. The underlying rationale for this exception – which is important to assess compliance with the first prong of the three-step test – is emphasized in Recital (20) and relates to the promotion of learning and dissemination of culture.

This new copyright exception has to be added to those already provided for in Art. 5 of the InfoSoc Directive.¹²¹ In other words, the OWD adds an extra use facility to the twenty forms of uses that are possibly¹²² exempted from requiring prior permission by the rightholder. More in particular, in respect of libraries, educational establishments, museums and archives, the OWD

¹¹⁶ See <<http://www.arrow-net.eu/>>.

¹¹⁷ *Ibid.*

¹¹⁸ <http://www.arrow-net.eu/news/arrow-plus-final-conference.html>

¹¹⁹ In line with article 5 InfoSoc Directive, the OWD does not take a stand as regards the use of the terms ‘exceptions’ or ‘limitations’ in view of the different language employed by the Member States. The expression ‘exceptions and limitations’ is moreover in line with international instruments (e.g. art. 10 WCT).

¹²⁰ It should be noted that no other exclusive rights, such as the distribution right in Art. 4 InfoSoc Directive, are mentioned.

¹²¹ Recital (20) OWD. At the same time, this Recital takes care to observe that the OWD shall be without prejudice to the list of exceptions and limitations included in Art. 5 InfoSoc Directive.

¹²² We recall that except for one situation (technically necessary temporary reproductions), all other exceptions in Art. 5 InfoSoc Directive are optional leaving Member States free to decide whether or not to integrate them in their national copyright laws.

introduces a second exception, to be added to Art. 5(2)(5) InfoSoc Directive the scope of which is limited to certain acts of reproduction only.

64. Remarkably, because contrary to most of the already existing exceptions, the new orphan work exception is given a *mandatory nature* which brings the total of mandatory exceptions to two situations: orphan works and temporary acts of reproduction (Art. 5.1).¹²³ The mandatory character for the orphan works exception can of course be explained by the goal to make such works available to the public in all Member States.¹²⁴ We have indeed argued in the past that mandatory effect is essential in relation to exceptions that are intended to have transnational or cross-border effects.¹²⁵

65. The mandatory character, however, only binds national legislators. What is lacking in the Directive is a provision that prevents the exception to be overridden by contract by stipulating, e.g., that “any contractual provision contrary to Article 6 shall be null and void”.¹²⁶ Rather, the language of Art. 7, where it states that “this Directive shall be without prejudice to (...) the law of contract”, seems to point to the opposite. We join the concern of other authors in this respect as the *non-binding nature* of the exception may be an issue that is particularly relevant “in respect of orphan works residing within commercial digital databases with technical protection measures”.¹²⁷

66. There is a last peculiar feature that distinguishes the new orphan work exception from all pre-existing ones. Indeed, its application is not guaranteed during the full copyright term and may *have a limited duration*. When the rightholder reappears and puts an end to the orphan work status, the legal basis for the exception vanishes. It has accordingly been stated that the orphan work regime is not really an issue of exceptions and limitations but rather an issue of representation. Contrary to traditional exceptions, the rightholder is not deprived from the exercise of his exclusive rights but as long as he cannot be found, the exception acts as ‘a contract partner’.¹²⁸

67. For the sake of completeness, we recall some general guidelines that the CJEU has imposed in relation to the interpretation of exceptions as one must assume that they will be equally applicable to the new orphan work exception. First, being a derogation from general principles, exceptions must be interpreted strictly¹²⁹ while exclusive rights must be given a broad interpretation.¹³⁰ On the other hand, the conditions of an exception should be

¹²³ It is to be noted that the scope of the new orphan work exception is much broader than the temporary reproduction exception in the sense that it not only allows for more permanent acts of reproduction but also the making available of orphan works.

¹²⁴ *Supra*, 2.3.4.4

¹²⁵ M.-C. Janssens, “The issue of exceptions: Reshaping the keys to the gates in the territory of literary, musical and artistic creation”, in Derclaye, E. (ed), *The Future of Copyright Law*, Series Research Handbooks in Intellectual Property, Cheltenham UK:Edward Elgar, 2009, at 338-339.

¹²⁶ Such provisions can, e.g., be found in the Software Directive (Art. 8) and the Database Directive (Art. 15).

¹²⁷ Suthersanen and Frabboni, *I.c.* footnote 22, at nr. 13.58.

¹²⁸ Opinion of the ALAI on “Orphan works – compatibility of the draft Directive with the international norms”, available on www.alai.org/assets/files/resolutions/orphan-works-opinion.pdf, at 1.

¹²⁹ *Infopaq International A/S v Danske Dagblades Forening*, C-5/08, at 56-57; *Football Association Premier League v QC Leisure*, C-403/08 & C-429/08, at 162; *Eva-Maria Painer v Standard Verlag*, C-145/10, at 109.

¹³⁰ *Padawan v. SGAE*, C-467/08, at 36.

interpreted in such a way as to enable the effectiveness of the exception and permit the observance of the exception's purpose.¹³¹

2.3.6.2. Permitted uses & conditions

- ACTS PERMITTED

68. Section 2 of Art. 6 enumerates in an exhaustive manner the types of uses that the Directive seeks to exempt from the exclusive copyrights attached to orphan works. They include (a) the making available to the public of an orphan work¹³² and (b) acts of reproduction but only for the purposes of digitization, making available, indexing, cataloguing, preservation or restoration.

Except for the making available part, these types of uses seem to overlap with the existing exception in Art. 5(2)(c) InfoSoc Directive that allows in a general manner for "specific acts of reproduction". Although it lacks any further specification, the latter provision can however not be interpreted as a blanket authorisation from the right of reproduction. It essentially covers "certain acts necessary for the preservation of works contained in the libraries' catalogues".¹³³ Recital (40) InfoSoc Directive furthermore points out that this exception should be limited to certain special cases and not cover uses made in the context of online deliveries of protected works or phonograms. But a certain flexibility in the determination of the reproduction acts that are allowed, seems nevertheless accepted.¹³⁴

The added-value of the reproduction part of the new exception is, of course, its mandatory character, including a fully-harmonised specification of which "specific acts of reproduction" are exempted from seeking prior permission in all the Member States.

Sections 2 and 3 of Art. 6 subsequently determine *two specific conditions* for each use. We submit that also the three-step test is to be included as condition¹³⁵ as well as the condition that beneficiaries may only use works contained in their collections.¹³⁶

- CONDITION OF PUBLIC-INTEREST MISSION

69. First, beneficiaries may only use orphan works "... in order to achieve aims related to their *public-interest missions*". These missions are further identified as including "the preservation of, the restoration of and the provision of cultural and educational access to, works and phonograms contained in their collections."¹³⁷ As regards film and audio heritage

¹³¹ *Football Association Premier League v QC Leisure*, C-403/08 & C-429/08, at 162-16; *Eva-Maria Painer v Standard Verlag*, C-145/10, at 133..

¹³² This is limited to making the works available to the public "in such a way that members of the public may access them from a place and at a time individually chosen by them", cf. Art. 3 of the Infosoc Directive.

¹³³ Green Paper 2008, at 7-8, further pointing to considerable differences in the legislations of Member States.

¹³⁴ S. Dusollier, "Part II: Exceptions in the digital environment. The limitations and exceptions to copyright and related rights for libraries, research and teaching uses", in *Study on the application of directive 2001/29/EC on copyright and related rights in the information society*, 2013, at 265.

¹³⁵ As set out in Recital (20) OWD.

¹³⁶ Specifically stipulated in Art. 6(1) OWD.

¹³⁷ In the original proposal for the Directive it was proposed that the relevant institutions should also be able to use orphan works for other purposes than their public-interest mission; see Art. 7 Proposal Directive OWD.

institutions, it is assumed that their public-interest missions include collecting, cataloguing, preserving and restoring films and other audiovisual works or phonograms.¹³⁸

It seems likely that – also taking into account that the details provided in the Directive are merely given by way of example (‘in particular’) and therefore not exhaustive – the interpretation of what constitutes a ‘public-interest mission’ may vary between the various Member States. But, clearly, public-interest missions in the meaning of the OWD will not include uses of orphan works with the aim to generate profits beyond the mere recovery of expenses (see below). In essence, the focus seems to be on the non-commercial goal of the permitted use, irrespective of the nature – private or public – of the institution.¹³⁹

70. Member States remain thus free to legislate autonomously in the area of orphan works for all other uses such as commercial uses or uses of other orphan works (not regulated in Art. 1).¹⁴⁰ Of course the latter goals cannot be achieved by way of an exception or limitation as the list of possible exceptions in European copyright law is exhaustive. It is moreover unlikely that such an exception permitting commercial uses would comply with the three-step test.^{141/142} Finally, in view of the principle of territoriality of copyright law and lacking sufficient harmonization, Member States will not be able to address extra-territorial forms of exploitation in their individual legislation in respect of such commercial uses of orphan works.

- CONDITION OF ATTRIBUTION

71. As a second condition, every use of an orphan work should always *indicate the name of authors* or other rightholders that could, presumably, be identified but not been found.¹⁴³ This condition seems to hint to the moral right of attribution even though such rights have until today, never been harmonised at the level of the EU.¹⁴⁴ However, in the light of the importance of securing that rightholders are found, it is more likely that this requirement is to help identifying rightholders which have not been located to bring the orphan work status to halt if they reappear (cf. Art. 5).

- APPLICATION OF THE THREE-STEP TEST

72. In a last sentence, Recital (20) copies *verbatim* the text of the three-step test (“The exception can be applied only in certain special cases, etc...”). One may wonder why this text was not incorporated in the main provisions of the Directive. An explanation may be that the new exception ‘is to be added to the list of Article 5’ that already includes the test. And, obviously, the test is applicable to all possible exceptions by virtue of the international

¹³⁸ Recital (20) OWD.

¹³⁹ Suthersanen and Frabboni, *I.c.* footnote 22, at nr. 13.51-52.

¹⁴⁰ Such solutions e.g. exist in Hungary (Government Decree 100/2009 laying down rules on licensing certain uses of orphan works). Also in the UK the implementing legislation (via the Enterprise and Regulatory Reform Act of 2013) addresses commercial uses.

¹⁴¹ Opinion of the ALAI on “Orphan works – compatibility of the draft Directive with the international norms”, available on www.alai.org/assets/files/resolutions/orphan-works-opinion.pdf, at 6-7.

¹⁴² This was probably the main reason for the Commission to drop Article 7 of the Draft Proposal that allowed for uses for other purposes than included in (the current) Art. 6.

¹⁴³ Cf. a similar condition that is attached to several exceptions and limitations in Art. 5 InfoSoc Directive prescribing that “the source, including the author's name, is indicated, unless this turns out to be impossible”.

¹⁴⁴ M.-C. Janssens, “Les droits moraux en Belgique”, in *Les Cahiers de propriété intellectuelle* (Canada), vol. 25 n° 1, January 2013, at 95-99.

obligations contained in Art. 9(2) Berne Convention, Art. 13 of the TRIPS Agreement and Art. 10 of the WCT.¹⁴⁵

- WORKS CONTAINED IN THE COLLECTION OF BENEFICIARIES

73. In order for beneficiaries to use works that have been given the status of orphan works after diligent search by another beneficiary in another Member State, it is required that they have a copy of the relevant work in their own collection as is set out in Art. 6(1). It is worth noting in this context that if a beneficiary makes an orphan work available by putting it online it can be linked to and redirected by others, regardless of whether they are beneficiaries or not, as that would not be making it available to a new public and the first act of putting it online would be legal because of the OWD exception.¹⁴⁶

2.3.6.3. Recovery of costs and the possibility of public-private partnerships

74. Although Art. 6 does not explicitly exclude commercial uses¹⁴⁷, one can argue that they are not included either because commercial uses are - in particular in view of the three-step test - typically excluded from the scope of exceptions and limitations. This conclusion can moreover be inferred from the deliberate deletion of Art. 7 in the Proposal for the OWD that regulated such uses.

75. The solution adopted by the OWD presents, however, a more subtle approach to take account of a particular reality. Indeed, the process of digitisation in general, and mass-digitisation in particular requires substantial technical, financial and organisational efforts that are often beyond the capabilities of individual organisations. The new obligation to carry out a diligent search will add to this already immense burden as it is likely that such search is both costly and time-consuming.¹⁴⁸ Therefore, as was observed in the impact assessment, bodies with a public interest mission may need to work in partnership with private firms on digitisation projects (public-private partnerships).¹⁴⁹ It was considered that such “private sector sponsoring of digitisation or partnerships between the public and private sectors (...) should be further encouraged”.¹⁵⁰

It appears that the European legislator has attempted to address the above concerns in Art. 6(2) *in fine*. This provision allows the beneficiary organisations to *generate revenues* in the

¹⁴⁵ After an in-depth analysis, the ALAI came to the conclusion that the envisaged orphan works exception was in compliance with these international treaties, but only to the extent that permitted uses would not include commercial users and uses for commercial purposes; Opinion of the ALAI on “Orphan works – compatibility of the draft Directive with the international norms”, available on www.alai.org/assets/files/resolutions/orphan-works-opinion.pdf.

¹⁴⁶ Case C-466/12 *Svensson*. In this judgement the Court of Justice of the European Union held that owners of websites can redirect internet users by hyperlinks, without the consent of the right-holder, to protected content that has legally been made available online on another site.

¹⁴⁷ At least not in a way which is customary in previous Directives; see, e.g. Art. 5(2)(b) InfoSoc Directive: “for ends that are neither directly nor indirectly commercial”.

¹⁴⁸ Much will depend upon the efficiency of the unique database administered by OHIM.

¹⁴⁹ Impact Assessment 2011, at 38.

¹⁵⁰ Recital (15) of Commission Recommendation of 27 October 2011 on the digitisation and online accessibility of cultural material and digital preservation, REC 2011/711, OJ L 283/39 of 29 October 2011. See also point 2 of this Recommendation.

course of the permitted uses albeit only to the extent justified to recover costs that are related to the digitisation and making available of orphan works.¹⁵¹

76. The permission to generate revenues is given in a very restrictive manner (“the exclusive purpose of recovering costs of digitising and making available”) and one may wonder whether other types of costs, such as costs to conduct the diligent search and to establish the work as an orphan, can be recovered? An affirmative answer may be inferred from Recital (21) stating that revenues can be generated “in relation to (the) use (by the beneficiaries) of orphan works under this Directive”. So, for example, a deal entered between a national library or a charitable non-state institution and partners as Microsoft or Google whereby the latter agree to pay a determined amount in order for the former to cover all the costs related to the making available of the orphan works of their print collection online¹⁵², should not present problems as long as proof of a public-interest mission exists. Recital (22) warns, however, that such contracts may not contain any restrictions to the uses permitted by Article 6 nor any grant of right in favour of the commercial partner to use or control the use of orphan works. Notwithstanding the careful legal drafting of the rule on generating revenues, we fear that in practice the limits of an involvement of private players may not always be so clear.

2.3.7. Fair compensation for the “reappearing” rightholder (Art. 6 (5))

77. A rightholder that has put an end to the orphan work status is given the right to receive fair compensation for the use that has been made of his works. In this respect, the new exception clearly differs from the existing EU libraries’ exception that does not impose the obligation of a compensation.¹⁵³

In view of the clear public interest that underlies the orphan work exception, one may even wonder whether the right to fair compensation for the re-appearing author was necessary.¹⁵⁴ On the other hand, considering that we are not dealing with a real exception (*supra*, 2.3.6.1), a financial compensation may be justifiable. This is in particular the case when the issue of compensation is viewed in the light of how use of similar works that are not orphan is remunerated.

78. It is left to the Member State where the organisation is established “to determine the circumstances under which the payment of such compensation may be organised, including

¹⁵¹ See also Recital (21) OWD (“This specific permission to acquire income aims at incentivising the organisations to engage in the costly process of digitisation that may indeed not be possible without public-private partnership agreements”).

¹⁵² It may not always be easy to distinguish such private input from what has been consented in the same contract in respect of the process of digitisation of in-copyright works in general.

¹⁵³ Of course, the InfoSoc Directive leaves Member States always free to provide for fair compensation in cases not foreseen by this directive (see, Recital (36) InfoSoc D.) but we are not aware of countries that have imposed such a compensation.

¹⁵⁴ In its position paper, the ALAI came to the conclusion that the three-step test did not require such an obligation in the absence of an unreasonable prejudice (p. 5), after also having considered that the scope of the exception is sufficiently narrowly drawn (p. 2) and that the minimalist non-commercial purposes for which an orphan work can be used, should normally not interfere with a normal exploitation of the work (p. 2); Opinion of the ALAI on “Orphan works – compatibility of the draft Directive with the international norms”, available on www.alai.org/assets/files/resolutions/orphan-works-opinion.pdf.

the point in time at which the payment is due”.¹⁵⁵ Importantly, also the parameters for determining the amount of compensation are entirely left free for national legislation.¹⁵⁶ Yet, Recital (18) clarifies that “for the purposes of determining the level of fair compensation, due account should be taken, *inter alia*, of Member States’ cultural promotion objectives, of the non-commercial nature of the use made by the organisations in question in order to achieve aims related to their public-interest missions, such as promoting learning and disseminating culture, and of the possible harm to rightholders”.

One could infer from this language that national legislators can provide for very modest compensation schemes or even decide that under certain circumstances no compensation is due for the use of orphan works.¹⁵⁷ Also the setting up of a system of mandatory collective management for the collection of the remuneration, seems to be in compliance with the Directive. But, clearly, the open approach still leaves a lot of questions for discussion, in particular in view of the cross-border effect of the orphan work exception as opposed to any of the traditional exceptions. Indeed, as uses will probably have occurred in several Member States, one may for example wonder whether and how the legislator of the country of establishment of the relevant organisation will be able to include in its compensation scheme the number and impact of the uses in other Member States?

79. The little guidance in the Directive as regards the fair compensation issue may be partly set off by the case law that in the meanwhile has been established by the European Court of Justice in this respect.¹⁵⁸ Hence, when determining the level and collection mechanisms of the fair compensation, national legislators should take into account the harm caused to the rightholders that results from the use permitted by the exception as well as the principle that, as a rule, the person responsible for paying the fair compensation is the person making use of the work (in the case of orphan works, the beneficiary organisations). The same reasoning might, however, not be fully transposable to the situation of orphan work as it is arguable that, by hypothesis, there has not been any (commercial) exploitation of the work and that therefore the rightholder did not really ‘suffer’ harm from its use. However, that has to be determined in comparison to potential remuneration to authors and other rightholders of similar works that are not orphaned. If use of such similar works is remunerated, why then should the reappearing rightholder of an orphan work not be entitled to similar compensation?

¹⁵⁵ Recital (18).

¹⁵⁶ E.g., it has been suggested that national legislators could link the definition of what constitutes “fair compensation” to the amount of downloads of the work/phonogram in question; Guibault L, ‘Are European orphans about to be freed?’, Kluwer Copyright Blog, 21 September 2012, <http://kluwercopyrightblog.com/2012/09/21/are-european-orphans-about-to-be-freed/>

¹⁵⁷ Such a decision is also allowed in respect of the traditional exceptions in the InfoSoc Directive; see Recital (35) *in fine*: “In certain situations where the prejudice to the rightholder would be minimal, no obligation for payment may arise”.

¹⁵⁸ *Padawan v SGAE*, C-467/08, at 40-45; *Stichting de Thuiskopie v Opus Supplies Deutschland*, C-462/09, at 24-26; *VG Wort v Kyocera*, C-457/11-460/11, at 31.

3. Soft Law to regulate the issue of out of commerce works

3.1. Introduction

80. One should be mindful not to generalize the various problems that cultural heritage institutions face when seeking to digitise and make Europe's heritage available online. Indeed, "there is a tendency which is that on the label "orphan works", whenever we start talking about something that seems very reasonable (...) the work can be used and very quickly, this type of discussion turns into a discussion on mass digitization, use of works out of commerce, use of works that have never been published and where maybe the author of the work never wanted the communication of such works. These are all very different matters (that should) follow different approaches".¹⁵⁹

81. This statement may explain why the Commission has addressed another problem, of the so-called 'out-of-commerce works' in an entirely different manner. Orphan works do indeed not constitute the only problem. Undoubtedly, one of the major problems heritage institutions are confronted with is the sheer *volume of licensing* of in-copyright works, as the licensing is complicated, time consuming and costly. Rights-information projects like ARROW will alleviate the situation up to a point but they merely provide information on whom to ask for licenses and do not confer the needed licenses.¹⁶⁰

82. To solve problems with the licensing of the particular category of out-of-commerce works, the European Commission has since 2006 been encouraging the establishment of a voluntary licensing mechanism.¹⁶¹ In particular, a stakeholder's dialogue was promoted with the aim to establish voluntary agreements based on collective management mechanisms and to improve conditions for digitisation of and online accessibility to, cultural material in out-of-commerce works. This led to the signature of a Memorandum of Understanding on *Key Principles on the Digitisation and Making Available of Out-of-Commerce Works* on 20 September 2011.

3.2. The 2011 Memorandum of Understanding (MoU)

83. The MoU was signed between representatives of, on the one hand, European libraries¹⁶² and, on the other hand, authors, publishers and their collecting societies¹⁶³ and was "witnessed by Michel Barnier", as representative from the European Commission.

The major aim of the MoU is to encourage *voluntary agreements* based on collective management licensing. This is underlined in Recital (4) of the OWD where it says that the MoU "calls on Member States and the Commission to ensure that voluntary agreements concluded

¹⁵⁹ Position of the EU at WIPO's SCCRS, Twenty-six Session, Geneva, December 2013, Working document containing comments on and textual suggestions towards an appropriate international legal instrument (in whatever form) on exceptions and limitations for libraries and archives, SCCR/26/3, at 36.

¹⁶⁰ *Supra*, 2.3.5.6.

¹⁶¹ Art. 6(b) of the Commission Recommendation 2006.

¹⁶² Parties include the Association of European Research Libraries (LIBER), the Conference of European National Librarians (CENL) and the European Bureau of Library, Information and Documentation Associations (EBLIDA).

¹⁶³ Parties include Federations of Journalists (EFJ), Scientific and other Publishers (EPC, STM and FEP), Writers (EWC), Visual Artists (EVA) and Reprographic Rights Organisations (IFFRO).

between users, right holders and collective rights management organisations to license the use of out-of-commerce works on the basis of the principles contained therein benefit from the requisite legal certainty in a national and cross-border context”.

84. The MoU is only *a declaration of intent* and is therefore not binding on Member States neither does it impose rigorous obligations on the parties to the Memorandum.¹⁶⁴ The advantage of this soft law approach, as compared to the hard law approach taken in respect of orphan works, is that it is more flexible so as to allow for sector-specific (licensing) agreements that take into account specific content and users. This is an important feature as, indeed, each sector (books, music, film, sound recordings, photographs, visual art) exhibits its own specific characteristics and ‘one-size fits all approach’ would clearly not be expedient.¹⁶⁵

3.3. Overview of the “understandings”

3.3.1. Definition and scope

3.3.1.1. Definitions

85. According to the MoU, “a work is out of commerce when the whole work, in all its versions and manifestations is no longer commercially available in customary channels of commerce, regardless of the existence of tangible copies of the work in libraries and among the public (including through second hand bookshops or antiquarian bookshops).”

It is further stated that the determination of the commercial availability of a work should be agreed upon in the country of first publication of the work and that the method for such determination should depend on the specific availability of bibliographic data infrastructure.

86. Recitals (2) and (3) include definitions of the notions ‘Agreement’ and ‘rightholders’ that are used in the MoU.

3.3.1.2. Scope

87. Recital (1) makes clear that the scope of the MoU only covers “*books and journals* which have been published for the first time in the country where the Agreement is requested”. Hence, no solutions are as yet available for other types of works that are out-of-commerce as it has been recognized that the solutions offered in the MoU are not automatically transferable to other types of works.¹⁶⁶

Recitals (7) and (8) include as a recommendation that the agreements concluded on the basis of the MoU should also cover *embedded images in literary works*, considering “that efficient electronic identification of images is not yet developed”. They should be dealt with in the same

¹⁶⁴ Oostveen and Guibault, *IPR issues* (o.c. footnote 73), at 6.

¹⁶⁵ Cf. a same reasoning in respect of orphan works (Report of the Public Hearing on Orphan Works, Brussels, 26.10.2009, accessible http://ec.europa.eu/internal_market/copyright/docs/copyright-infso/orphanworks/report_en.pdf). But here, in the end, a uniform solution via the OWD, was chosen.

¹⁶⁶ Europa Press Releases, ‘Memorandum of Understanding (MoU) on Key Principles on the Digitisation and Making Available of Out-of-Commerce Works – Frequently Asked Questions (MEMO/11/619)’ (2011), <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/619&format=HTML&aged=0&language=EN&guiLanguage=en>.

way as the literary work in which they are contained, albeit under the authority of a representative collective management organisation for visual works.

88. The beneficiaries of the memorandum are *publicly accessible cultural institutions which are not for direct or indirect economic or commercial advantage*. This is clearly not an exhaustive terminology and it must presumably be decided in each and every instance whether a given institution requiring an agreement for the use of out-of-commerce works falls under the definition. However, it seems clear that it would cover the same institutions that are the beneficiaries of the OWD in respect 'writings' (*supra*, 2.3.2).

3.3.2. Key principles of the understanding

89. The basic assumption underlying the MoU is that rightholders should always have the first option to digitise and make available an out-of-commerce work.¹⁶⁷ Lacking an initiative on their behalf, the memorandum sets forth three main principles that should be observed in agreements enabling beneficiaries to digitise and make out-of-commerce available online. More guidelines on the meaning of these principles and how they should be applied are provided in the Recitals.

3.3.2.1. Voluntary Agreements

90. The first principle is that agreements should be concluded on a voluntary basis between all relevant parties involved, i.e. potential user and rightholders. It is underlined in this principle that the notion 'rightholders' refers to both authors and publishers.¹⁶⁸

Further details are provided as to the issues that each agreement should cover, including the type and number of works, the determination of the status of out-of-commerce of such works (which should take into account the customary practices in the country of first publication),¹⁶⁹ the (commercial or non-commercial) uses that are authorized,¹⁷⁰ the remuneration for rightholders¹⁷¹ as well as safeguards for the author's moral rights of attribution and integrity.¹⁷²

91. It should be observed that limiting agreements to out-of-commerce works as presupposed in the Memorandum may involve an extra search effort by users, i.e. to establish whether a given work is out of commerce or not. An alternative solution, which might be more efficient and less costly for libraries and archives, could be to limit agreements to works published before a certain date (cf. e.g. the Bokhylla ECL agreement in Norway that allows for the use of all works published before the year 2001).¹⁷³ Older works are more likely to be out of commerce and hence of less economic importance for rightholders whereas an opt-out

¹⁶⁷ Recital (6) MoU 2011.

¹⁶⁸ See also Recital (3) of the MoU 2011.

¹⁶⁹ Principle No. 1(2) MoU 2011.

¹⁷⁰ Principle No. 1(3) MoU 2011.

¹⁷¹ Principle No. 1(1) MoU 2011.

¹⁷² Principle No. 1(4) MoU 2011.

¹⁷³ Cf. Art. 2 of the Bokhylla Agreement which can be accessed in English translation on <<http://www.nb.no/English/The-Digital-Library/Collaboration-Projects>>, last viewed 22.02.2014.

possibility¹⁷⁴ may secure the position of rightholders of older works that are still economically viable.

This alternative approach seems to be followed in some countries that have adopted the guidelines of the MoU into their national legislation. The German Copyright Administration Act has been changed to enable the digitisation and making available of out-of-commerce works under certain conditions, among them the condition that the works are published before 1 January 1966.¹⁷⁵

3.3.2.2. Practical Implementation

92. The second principle is that voluntary agreements can only be granted by collective management organisations (CMOs) that represent a substantial number of authors and publishers affected by the individual agreement. It is underlined that both the authors and publishers have to be appropriately represented in the key decision making bodies of the relevant CMO.¹⁷⁶

93. Further guidelines are contained on how to *publicise* in advance each digital library project that is based on such agreements so that relevant stakeholders have full knowledge of its scope and can decide whether or not to participate.¹⁷⁷ As regards the rightholders represented by the CMO, it is recommended that they are given *individual notification*.¹⁷⁸

94. As regards non-represented rightholders, that have not transferred the management of their rights to a CMO in a particular Member State, a *presumption rule* is set out to the effect that the relevant CMO in that state will be presumed to manage his or her rights. But, in order for that to happen the CMO in question has to undertake its best efforts to alert the rightholder in question.¹⁷⁹ This presumption rule has a similar effect as the extension of ECL agreements to rightholders not members of the relevant CMO (*infra* 4.2).

This latter rule of presumption seems also applicable to orphan works that have been identified. However, “this will depend on the mandate of each national collecting society, and whether under national law, extended collective licensing is recognized, the ambit of the mandate, and whether collective managements organizations are entitled to represent non-members in specific types of works”.¹⁸⁰

As is indicated in Recital (9) of the MoU, the presumption rule will probably only work in countries that have legislation confirming the presumption of representation in one way or

¹⁷⁴ Cf. Art. 7 of the Bokhylla Agreement.

¹⁷⁵ Art. 13d(1)1 of the German Copyright Administration Act as changed by Gesetz zur Nutzung verwaister und vergriffener Werke und einer weiteren Änderung des Urheberrechtsgesetzes, (BGBl. I S. 3728 (Nr. 59)). The cut-off date is the same as the entry into force of the German Copyright Act (Urheberrechtsgesetz vom 9. September 1965 (BGBl. I S. 1273), cf. Art. 143.

¹⁷⁶ Principle No. 2(1) MoU 2011.

¹⁷⁷ Principle No. 2(2) MoU 2011.

¹⁷⁸ Principle No. 2(3) MoU 2011.

¹⁷⁹ Principle No. 2(4) MoU 2011.

¹⁸⁰ Suthersanen and Frabboni, *I.c.* footnote 22, at nr. 13.24.

another. Hence, voluntary agreement envisaged under the MoU could for example be entered into in countries which have established a system of ECL (*infra*, Section 4).

95. It is interesting to note that the two rules on publication and alerting rightholders discussed in the preceding paragraphs already reflect the importance of transparency rules that the European Commission has imposed in a more general way in the newly adopted Collective Management Directive. Transparency is indeed important for all collective agreements and in particular for collective agreements that have binding effect for outside rightholders, either because of a presumption of representation or because of other forms of legal extension as for example under ECL agreements.

96. In a final section, the second principle prescribes that rightholders should always keep the *right to opt out* of any collective agreement under the MoU.¹⁸¹ It is, however, not clear from the wording of the text whether this right belongs to all rightholders affected by the agreement or only those who are outsiders, i.e. non-members of the CMOs. It has been assumed by commentators that the latter solution is aimed at.¹⁸² This seems logical as members of the relevant CMO are normally bound by the agreements on the basis of their mandate to the CMO.

3.3.2.3. Cross-border effect

97. The third principle deals with cross-border effect of agreements under the MoU. The main rule is that the presumption of representation of the relevant CMO of outsiders shall apply for uses of the covered work in other Member States.¹⁸³ However, the wording of this principle starts by making two reservations to this main rule with regard to agreements that include in their scope either cross-border or commercial use.

First, the CMO *may* limit the effects of such an agreement – i.e. the license to use works - to the works of the rightholders it represents, excluding works of so-called ‘outsiders’.¹⁸⁴ These reservation is presumably included because of the legal uncertainty of cross-border effect of collective agreements that are binding for outside rightholders, as is hinted at in Recital (11) of the MoU.

Second, “a specific procedure should be considered” to reach non-represented rightholders (outsiders) whose works are used frequently or intensively where such an agreement is concluded on the basis of the presumption referred to in the second principle. It is, however, up to the parties concerned to decide if and when such procedures are necessary and how they should be organised.¹⁸⁵

¹⁸¹ Principle No. 2(5) MoU 2011.

¹⁸² Oostveen and Guibault, *IPR issues* (o.c. footnote 73), at 10.

¹⁸³ Principle No. 3(3) MoU 2011.

¹⁸⁴ Principle No. 3(1) MoU 2011.

¹⁸⁵ Principle No. 3(2) MoU 2011.

3.4. The MoU offers an attractive but partial solution

98. Olav Stokkmo, the CEO of IFRRO,¹⁸⁶ described the MoU as “pragmatic and realistic”.¹⁸⁷ But clearly, the MoU does not solve all problems.

The main weakness for the solution of the MoU is its lack of legal certainty. This seems to be conceded in Recital (9) stating that legislation might be required to create a legal basis for the presumption of representation as well as in Recital (11) calling on the European Commission to consider legislation necessary to ensure legal certainty in a cross-border context.

99. Such legislation might, however, render the Directive on orphan works redundant or at least with very little field of application, as it can be assumed that most orphan works are also out of commerce works. Hence cultural heritage institutions might only see the benefit of applying the system of the OWD under very few circumstances, such as for a small specialist collection of works, easily identifiable or consisting mainly of orphan works.¹⁸⁸ Still, it must not be forgotten that the solution put forward in the MoU is only for literary works¹⁸⁹ whereas the OWD covers a much wider range of works (*supra*, 2.3.3.).

3.5. Broader influential sphere of the MoU

100. When implementing solutions to enable mass-digitisation projects by libraries and archives, Member States dispose of much freedom. Despite the fact that the MoU is limited to literary works, one may assume that the principles of the MoU will in a significant way influence such future solutions as is in fact recommended in the OWD.¹⁹⁰

101. Assuming that in many cases orphan works are also out-of-commerce (*supra*, para 99), the MoU should be seen as complementary to the OWD¹⁹¹ and may thus be used as an *alternative model for the exploitation of orphan works*. Indeed, the MoU can equally solve the issue of orphan works as they are allowed to be included in collective licenses. However, this will not make EU legislation on orphan works unnecessary as stakeholders in some Member States may not follow up on the (voluntary) MoU.¹⁹² Nevertheless, it remains to be seen whether libraries will truly benefit from the MoU. There are also doubts whether the MoU can actually solve orphan work problems in general as it is sector specific and does not cover works other than published books and journals.¹⁹³

¹⁸⁶ The International Federation of Reproduction Rights Organisation, cf. <http://www.ifrro.org/>

¹⁸⁷ James Boyd, "Stakeholders sign groundbreaking MoU on Out of Commerce Works" (20.09.2011), <http://www.ifrro.org/content/stakeholders-sign-groundbreaking-mou-out-commerce-works>.

¹⁸⁸ See also, *infra*, para 101.

¹⁸⁹ Recital (1) of the MoU 2011.

¹⁹⁰ See Recital (4): “that such agreements should take into account the principles agreed upon within the MoU 2001”.

¹⁹¹ Suthersanen and Frabboni, *l.c.* footnote 22, at nr. 13.22.

¹⁹² Dugie Standeford, "Breakthrough Gives EU Principles For Digitising Out-Of-Print Books" (20.09.2011), <http://www.ip-watch.org/weblog/2011/09/20/breakthrough-gives-eu-principles-for-digitising-out-of-print-books/print/>.

¹⁹³ Emily Goodhand, "How do you solve a problem like Orphan Works?" (*The 1709 Blog*, 21.09.2011), <http://the1709blog.blogspot.com/2011/09/how-do-you-solve-problem-like-orphan.html>.

102. The MoU has already influenced legislation in several member states, including Germany¹⁹⁴, France¹⁹⁵ and the UK.¹⁹⁶

4. The system of Extended Collected Licensing (ECL)

4.1. Introduction

103. Neither the OWD nor the MoU for out-of-commerce works will on their own resolve the copyright problems faced by digital libraries or other cultural heritage institutions. As shown above the OWD will not solve the main issues of mass digitisation or mass use as its procedures for establishing works as orphan are too time consuming and costly.¹⁹⁷ This is mainly because of the requirement for a prior diligent search. Furthermore the procedure for recording an orphan work status following the diligent search seems to necessitate the relevant organisation to manually fill in a record for each work that they consider orphan¹⁹⁸ and then to forward it to a national competent authority, which in turn will have to forward it to the OHIM database.¹⁹⁹ The MoU will not solve the issues either, as the solution suggested there is limited to literary works and lacks legal certainty with regard to applicability to outside rightholders and cross-border use.

104. The system of extended collective licenses has been successfully used in the Nordic countries²⁰⁰ since the early sixties for several situations of mass uses, including broadcasting and institutional reproduction. Nordic legislators maintain that the system of ECL²⁰¹ is well suited to the needs of digital libraries, in particular for orphan works.²⁰² Hence, in recent years specific ECL provisions have been introduced in the Nordic copyright acts for use within libraries and other cultural heritage institutions. Furthermore, Denmark and Sweden have

¹⁹⁴ [Urheberrechtswahrnehmungsgesetz](#) vom 9. September 1965 (BGBl. I S. 1294), as modified by Gesetz zur Nutzung verwaister und vergriffener Werke und einer weiteren Änderung des Urheberrechtsgesetzes, (BGBl. I S. 3728 (Nr. 59));

¹⁹⁵ "Loi n° 2012-287 relative à l'exploitation numérique des livres indisponibles du XXe siècle" and "Décret n° 2013-182 of 27 February 2013 portant application des articles L134-1 à L134-9 du Code de la propriété intellectuelle et relative à l'exploitation numérique des livres indisponibles du XXe siècle", *J.O.R.F.* nr. 51, 1 March 2013, 3835

¹⁹⁶ Regulation on orphan works licensing under section 116A, C and D of the Copyright, Designs and Patents Act 1988 – as amended by the Enterprise and Regulatory Reform Act 2013.

¹⁹⁷ In his report for the National Library of Luxembourg, Klimpel maintains that the requirement for diligent search is in general too cumbersome for cultural heritage institutions, not only with regard to mass digitisation purposes, cf. Paul Klimpel, *Copyright Law, Practice and Fiction: Rights clearance for cultural heritage in the digital age with examples from the audiovisual sector* (2013), 16, 22. See also similar criticism by EIFL in EIFL guide to the OWD (o.c. footnote 22), p. 7.

¹⁹⁸ OHIM Orphan Works User Interfaces, *Prototype Version 2.0 – 01.04.2014*, 7-18.

¹⁹⁹ *Ibid.*, 18-19.

²⁰⁰ Here the term Nordic countries is used for Denmark, Finland, Iceland, Norway and Sweden. Although Iceland participated in the Nordic co-operation no ECL provisions were adopted until 1992 in the Icelandic Copyright Act (No. 73, of 29 May 1972, as subsequently amended, last with Act No. 93 of 21 of April 2010), hereafter ICA.

²⁰¹ The ECL system consists of ECL provisions in national copyright acts and ECL agreements made on the basis of such provisions. Here the term "ECL system" and the acronym "ECLs" will be used to refer to both.

²⁰² Forslag til Lov om ændring af ophavsretsloven (Overdragelse af ophavsret og digitalisering af kulturarven m.v.) fremsat 30.01.2008, Lovforslag 2007/2 LSF 58, 11-12; SOU 2010:24, *Avtalad upphovsrätt: Delbetänkande af Upphovsrättsutredningen* (SOU 2010:24, 2010), 252-255.

introduced "general" ECL provisions.²⁰³ Such general ECL provisions are not limited to specific types of works, users or uses but their scope is each time specified in the particular ECL agreement. When the general ECL provision was introduced in the Danish copyright act, it was specifically stated that the provision was expected to be needed for the digitising and digital use of the cultural heritage in libraries and other cultural heritage institutions.²⁰⁴

4.2. The Nordic system of Extended Collective Licenses

105. An Extended Collective License is *a license* for a specific use of in-copyright works in a specified field. The license is based on an agreement that a collective management organisation (CMO), which is representative of the relevant rightholders in the specific field, makes with a user, e.g. a library. The agreement is extended to cover rightholders in the same field who are not members of the CMO, often called outsiders. The *legal effect* of such extension is made possible by a provision in a copyright act. The *scope and applicability* of the ECL, on the other hand, is based on the agreement.²⁰⁵

Although the ECL system is often referred to as the Nordic ECL system, there are differences between the ECL provisions in the five countries. However, the elements described above are inherent to them all. Furthermore there are safeguard measures for outsiders in all five countries. An important safeguard measure that can be found in all ECL provisions is that outsiders are entitled to the same *remuneration* as members and, in the case of collective remuneration schemes, that they are entitled to individual remuneration, even if members do not have that option. Another safeguard measure for outsiders is the *possibility to opt-out* of an agreement which, however, does not exist in all Nordic ECL provisions. Nevertheless, it is important to note that an individual ECL agreement can contain an opt-out clause even though this is not stipulated in the relevant statutory ECL provision.²⁰⁶

106. The ECL system can be seen as a mixture of two systems, i.e., on the one hand, a mandated management of rights for rightholders that are members of the negotiating CMO, and, on the other hand, a limitation to the exclusive rights for the outsiders.

Because of these limitations to outsiders' rights the ECL system has to conform to international rules that govern exceptions and limitations, in particular the three step test. It is generally accepted that the ECL system as such fulfils these international norms because the system has some important compensating factors.²⁰⁷ These factors include the contractual basis of the ECL

²⁰³ See, resp., Art. 50(2) of the DCA and Art. 42h of the SCA

²⁰⁴ Lovforslag 2007/2 LSF 58, 3.3.1.

²⁰⁵ See Art. 50(1) and (3) of the DCA, Art. 26(1) of the FCA, Art. 36(1) of the NCA and Art. 42a(1) of the SCA.

²⁰⁶ Om lov om endringer i åndsverkloven m m, Ot. prp. nr. 15 (1994-95), 29.

²⁰⁷ E.g. Daniel Gervais, *Collective Management of Copyright and Neighbouring Rights in Canada: An International Perspective* (2001), 42; Thomas Riis and Jens Schovsbo, 'Extended Collective Licenses and the Nordic Experience: It's a Hybrid but is it a VOLVO or a Lemon?' (2010) 33 Columbia Journal of Law and the Arts 471, 485-486; Johan Axhamn and Lucie Guibault, *Cross-border extended collective licensing: a solution to online dissemination of Europe's cultural heritage?* (2011), 44-52; Ole-Andreas Rognstad, 'Avtalelisens som nordisk løsningsmodell – Noen refleksjoner, særlig knyttet til avtalelisensens legitimitet i utlandet' [2012] 6 NIR 620, 631.

system, the negotiated remuneration which is applicable to all rightholders affected by an ECL agreement, and finally the opt-out option, where applicable.²⁰⁸

4.2.1. Use of ECLs for cultural heritage institutions

4.2.1.1. Nordic ECL provisions for libraries and other cultural heritage institutions

107. The Nordic countries, except for Iceland, have specific ECL provisions for libraries and archives. In Norway and Sweden these provisions are also applicable to museums. The provisions, however, vary considerably in scope.

108. *Denmark* has the narrowest formulated ECL library provision.²⁰⁹ It only applies to public libraries and libraries that are wholly or partly publicly financed. The subject matter of an ECL agreement under the provision can only extend to articles from newspapers, magazines and composite works, brief excerpts of books and other published literary works, and illustrations and music reproduced in connection with the text. An ECL agreement can allow for acts of reproduction, both digital and analogue, as well as uses of the reproduced copies. However, uses by broadcasting and uses involving making works available online are expressly excluded. There is not a requirement for an opt-out clause in an ECL agreement negotiated under this provision.

When evaluating the provision it is worth remembering that Denmark has a general ECL provision that is meant to supplement other specific ECL provisions²¹⁰ and which can also be used for libraries and other cultural heritage institutions.²¹¹ This general ECL provision can be applied for all works and all uses, including the making available right, if the stakeholders, i.e. a representative CMO and a user come to a mutual agreement. All ECL agreements negotiated under this general ECL provision have to contain an opt-out clause.

109. In *Finland* the library ECL provision²¹² includes archives and museums and can cover all works in the collection of the relevant institution, regardless of whether the work has been published or made public. ECL licenses may cover all forms of reproduction of such works as well as their communication to the public, i.e. forms of uses that are not already authorised under other provisions granting exceptions for libraries.²¹³ Also in Finland, the provision requires that the ECL agreement has an opt-out possibility.²¹⁴

110. In *Norway* the comparable ECL provision extends to archives, libraries and museums. An ECL agreement can cover all published works in the collection of the relevant institutions and allow all acts of reproduction and communication to the public.²¹⁵ There is no requirement for an opt-out. However, as mentioned above, an ECL agreement can include an opt-out clause regardless of whether it is required in the ECL provision or not. Such an opt-out possibility is,

²⁰⁸ Rán Tryggvadóttir, "Digital libraries, the Nordic system of extended collective licenses and cross-border use" forthcoming in *Auteurs & Media*, 2014/5, 321-323.

²⁰⁹ Art. 16b of the DCA.

²¹⁰ Cf. Art. 50(2) of the DCA.

²¹¹ Lovforslag 2007/2 LSF 58, 3.3.1.

²¹² Art. 16d of the FCA.

²¹³ Art. 16 and 16a-c of the FCA are specifically dealing with exceptions for libraries.

²¹⁴ Art. 16d (2) of the FCA.

²¹⁵ Art. 16a of the NCA.

e.g., provided for all rightholders, both members and outsiders, in the Bokhylla ECL agreement that has been concluded between the Norwegian National Library and the Norwegian CMO.²¹⁶

111. In Sweden the library ECL provision applies to public libraries and archives but its scope can be extended to other libraries and archives by a Governmental decree.²¹⁷ An ECL agreement can authorize the reproduction and communication to the public of all the works that are in the collections of the library or archive on the double condition that (i) these works have lawfully been made public and (ii) that there is no special reason to assume that the author would oppose such use. The provision further stipulates that there has to be an opt-out possibility.

4.2.1.2. ECL provisions for works of visual fine art

112. In Denmark and Finland there are specific ECL provisions for certain uses of works of visual fine art²¹⁸ which can be used for cultural heritage institutions. Outsiders have, in both cases, a right to opt-out.

In Denmark all artworks that have lawfully been made public can be reproduced if an agreement is reached within the scope of the ECL provision.²¹⁹ Such an agreement can cover both analogue and digital reproduction and use of such copies, for example on the internet. The intended use of the provision is for general information purposes or critical or scientific presentation in a commercial context, e.g. use in encyclopaedias, art books and educational material.²²⁰

The Finnish ECL provision for visual art is slightly narrower as it is limited to works of art that are included in a collection, displayed or offered for sale. Only the maintainer of the collection, the exhibitor or the vendor can negotiate an ECL agreement for the reproduction and use of such copies in communications to the public.²²¹ As is the case for the Danish provision, the Finnish is intended to supplement exceptions that allow free use for non-commercial purposes.

4.2.1.3. ECL provisions for the use of works in archives of broadcasting stations

113. ECLs for the use of archived broadcasts by broadcasting stations exist in all the Nordic countries except Iceland.²²² The provision is applicable to all broadcasting stations except in Denmark where the provision is limited to the national broadcasting cooperation and the publicly owned television stations. ECL agreements can be made with regard to works that have been made public and have been broadcast by the broadcasting station in question, usually before a certain date, and which are the organisation's own production. The question

²¹⁶ See Art. 7 of the agreement which can be accessed in English translation on <<http://www.nb.no/English/The-Digital-Library/Collaboration-Projects>>, last viewed 22.02.2014.

²¹⁷ Art. 42d of the SCA.

²¹⁸ This is in addition to an ECL provision for broadcasting which also covers works of fine art, cf. Art. 30 of the DCA, Art. 25f of the FCA, Art. 30 of the NCA, Art. 23 of the ICA and Art. 42e of the SCA.

²¹⁹ Art. 24a of the DCA.

²²⁰ Peter Schønning, *Ophavsretsloven med kommentarer* (5th edn, Thomson Reuters 2011), 352.

²²¹ Art. 25a (2) of the FCA.

²²² Art. 30a of the DCA, Art. 25g of the FCA, Art. 32 of the NCA and Art. 42g of the SCA. An inclusion of an ECL provision for the reuse of works in the archives of broadcasting stations is being considered in the current revision of the ICA.

of when programs are the broadcasting station's own production is complicated. It is clear that it also includes commissioned works, financed partly or fully by the broadcasting station²²³ but to which extent and under which terms is unclear.

The use that can be negotiated is re-broadcasting and making older broadcasts available as well as necessary acts of reproduction, except in Finland where the provision seems to be confined to re-broadcasting,²²⁴ i.e. not the making available right. In Sweden the provision applies to all acts of communication to the public, i.e. not only broadcasting and the making available.²²⁵

4.2.2. ECL agreements and orphan works

114. ECL agreements can cover all works in the negotiated field, regardless of whether they are orphan or not, and without the user having to establish such status by prior diligent search. This means that users under an ECL agreement do not have to establish whether a work is orphan before they can use it, as required under the OWD, or establish whether it is out-of-commerce before they can negotiate a license to use it, as the MoU for out-of-commerce works suggests. Instead, it is the representative CMO that is responsible for finding and remunerating all relevant rightholders of works covered by the ECL agreement. The assumption is that CMOs as managers of large collective agreements have the capacity and resources to trace rightholders.

The interesting part of such a system is that there is no discrimination in remuneration of authors and other rightholders based on whether the work is considered orphan or not. If a rightholder whom the CMO has not been able to identify or locate, i.e. a situation that is in principle covered by the OWD, comes forward he or she will be entitled to the same remuneration as other rightholders under the ECL agreement. If one would apply the provisions of the OWD instead, an equal treatment as regards remuneration is not guaranteed. Remuneration for use in ECL agreements is a matter of negotiation between the users and the CMO. In such negotiations it is possible to take account of applicable circumstances affecting the amount of remuneration.

4.2.3. Cross-border use of ECL agreements

115. Whether ECL agreements based on national ECL provisions can have cross-border applicability is a key question. Many submit they cannot and hold that the extension effect of ECL agreements can only have effect within national boundaries.²²⁶

²²³ Schønning, *Ophavsretsloven*, 384-385. Cf. also Recital 41 of the Infosoc Directive,

²²⁴ Art. 25g (1) of the FCA.

²²⁵ Art. 42g (1) of the SCA. It is interesting to note that the Swedish ECL provision for primary broadcasting also applies to the making available right as from 1st November 2013, cf. Art. 42e of the SCA as revised by Act 2013:691.

²²⁶ SEC(2011) 615 final, *Impact Assessment on the Cross-Border Online Access to Orphan Works; Commission Staff Working accompanying the document Proposal for a Directive of the European Parliament and of the Council on certain permitted uses of orphan works* (2011), 27; Alain Strowel, 'The European "Extended Collective Licensing" Model' (2011) 34 *Colum JL & Arts* 665, 667, 669; Manon A.A. Oostveen and Lucie Guibault, *IPR issues* (o.c. footnote 73), at 11; Jan Rosén, 'The Nordic Extended Collective Licensing Model as a Mechanism for Simplified Rights Clearance for Legitimate Online Services' in Johan Axhamn (ed), *Copyright in a Borderless Online*

Of course, cross-border applicability of ECL agreements would best be achieved by way of EU legislation but initiatives in this respect are not likely in a near future. Awaiting this to happen, we would argue that under certain conditions, specific ECL agreements based on national ECL provisions might already now be given cross-border effect.²²⁷ These conditions are, firstly, that the representative CMO (negotiating them) holds a worldwide mandate from its members and, secondly, that the ECL agreement is compatible with international norms for limitations and exceptions.

116. As regards compliance with international norms, the agreement should contain certain minimum safeguard measures for outsiders. Indispensable measures would include a right to individual remuneration and an opt-out possibility for outsiders. Further safeguard measures would relate to rigorous transparency rules²²⁸, similar to those envisaged in the MoU for out-of-commerce works. Also, limiting the cross-border applicability to national works covered by the ECL agreement would make such agreements more likely to pass international norms as national CMOs are more likely to be able to identify outside rightholders of national publications (and either remunerate them or notify them of their opt-out right). Finally, we would submit that such ECL agreements should only allow for non-commercial uses that benefit public interest goals.²²⁹

5. To conclude: Comparisons of the different solutions

5.1. The cost

117. The European Commission considered cost to be a major obstacle for using the system of ECLs for orphan works.²³⁰ The calculations made by the Commission were, however, based on information on the pricing mechanism applied in the abovementioned Norwegian Bokhylla agreement.²³¹ These calculations as well as the conclusions drawn from them were sharply criticised by the EFTA EEA countries in their comments on the proposed OW Directive. It was in particular observed that the pricing model in the Bokhylla project is clearly not the only possible remuneration model as the issue of remuneration in an ECL agreement is always the result of negotiations between the rightholders' representative and the user.²³²

Environment (2013) 84; Regeringens proposition: Förbättrade möjligheter till licensiering af upphovsrätt, Prop. 2012/13:141, 29.

²²⁷ Tryggvadóttir, "Digital libraries...", 323-325.

²²⁸ Cf. J. Axham, and L. Guibault, "Solving Europeana's mass-digitization issues through Extended Collective Licensing?", *Nordiskt Immateriellt Rättsskydd*, 2011-6, at 516.

²²⁹ The (theoretical) possibility that ECL agreements for non-commercial use by cultural heritage institutions may be given cross-border effect, will not automatically solve the cross-border issue in practice. There are indeed important economic factors that have to be taken into consideration, such as the potentially increased remuneration for cross-border online use that may exceed the financial capabilities of such organisations.

²³⁰ SEC(2011) 615 final, Impact Assessment, 27.

²³¹ Art. 8 of the Bokhylla Agreement. There it is stipulated that an annual amount per page made available is to be paid. In 2015 and onward the price is to be 0,33 NOK per page.

²³² See the EEA EFTA Comment on the Commission proposal for a *Directive of the European Parliament and of the Council on certain permitted uses of Orphan Works*, (COM (2011) 289), Ref. 1110018, 7 December 2011, available at <<http://www.efta.int/eea/eea-news/2011-12-13-eea-efta-comment-orphan-works>>, last viewed 23.02.2014.

An important issue in the discussion on pricing is a comparison of the cost of “diligent prior searches” that are required for establishing the status of an orphan work²³³ versus the cost of the remuneration to be paid for the use of individual works under an ECL agreement. As regards orphan works, the equation might often turn out in favour of an ECL solution for such works. Of course, when assessing the cost of using works under the exception provided for in the OWD, there is always the uncertain factor of possibly incurring costs if an orphan work status is put to an end²³⁴, which makes any comparison difficult to hold.

118. The solution put forward in the MoU for out-of-commerce works is in many ways similar to an ECL agreement. However, the former solution presupposes an additional cost for libraries because they need to establish first that the particular work, to be covered by a license agreement with presumed representation for outsiders, is indeed out-of-commerce. Such a prerequisite – and resulting cost – is not necessary under an ECL agreement.

It may be assumed that rightholders will be somewhat more willing to negotiate a licensing agreement covering out-of-commerce works with a digital library as such works have less economic value than works still in commerce. On the other hand, and in a more general way, it would be no exaggeration to suggest that, in the majority of cases, older works simply tend to have less economic value. That is why we would submit that it may be more efficient (and less costly) for an ECL agreement to provide for a certain cut-off date, i.e. the agreement would only allow for the use of out-of-commerce that are first published before a certain date. This solution is, e.g., adopted in the Norwegian Bokhylla ECL agreement.²³⁵ The additional opt-out possibility should safeguard the rights of those rightholders whose works that are still economically important.²³⁶ Also the German legislator has included a certain cut-off date in its legislation on the presumption of presentation for out-of-commerce works.²³⁷

5.2. The scope of application

119. The OWD applies to wide a range of works but important types of works, such as stand-alone photographs, have been excluded (for now) from its scope of application (*supra*, 2.3.3). The solution offered by the MoU for out-of-commerce works has an even more narrow scope as it only applies to published literary works and embedded images (*supra*, 3.3.1.2).

120. In comparison, ECL agreements for libraries and other cultural heritage institutions have a much broader scope of application. For example, the general ECL provisions existing in Denmark and Sweden²³⁸ allow for their application to all types of works which the stakeholders, i.e. the relevant representative CMO and the user, agree on. On the other hand, an ECL system may be ‘handicapped’ by the difficulty to find a CMO that is representative for

²³³ Cf. Art. 3 OWD.

²³⁴ See Art. 6.5 OWD discussed in Section 2.3.7 above.

²³⁵ The Bokhylla ECL agreement relates to the digital dissemination of printed books published in Norway until and including the year 2000, cf. Art. 2 of the Agreement.

²³⁶ Cf. Art. 7 of the Bokhylla ECL agreement which gives all rightholders the right to opt out, both members of the CMO and outsiders.

²³⁷ Art. 13d(1)1 of the German Copyright Administration Act as changed by Gesetz zur Nutzung verwaister und vergriffener Werke und einer weiteren Änderung des Urheberrechtsgesetzes, (BGBl. I S. 3728 (Nr. 59)).

²³⁸ Art. 50(2) of the DCA and Art. 42h of the SCA.

all types of works that are contained in the collections of a cultural heritage organisation. It is a known reality that some fields (e.g. audiovisual works and their many rightholders²³⁹) are not comprehensively covered by a relevant CMO.²⁴⁰

5.3. Cross-border applicability

121. The possibility – and legal certainty – to use works in a cross-border context is of vital importance to achieve the goals of every digital cultural heritage initiative.²⁴¹

Only the OWD has clear cross-border application (*supra*, 2.3.4.4). The situation in respect of ECL agreements is not as clear cut although, as we have argued above, agreements for the non-commercial use of works by cultural heritage institutions may under certain conditions be given cross border effect. A similar uncertainty surrounds the solution put forward by the MoU for out-of-commerce works (*supra*, 3.3.2.3).

5.4. Legal certainty

122. Amongst the three solutions analysed in this paper, the OWD clearly offers the most legal certainty for cultural heritage institutions with regard to the use of orphan works in their collections. However, whether that counterbalances the effort and cost for the relevant institutions of establishing the orphan work status remains to be determined.

5.5 Conclusion

123. None of the three solutions discussed in this paper will constitute a magic legal bullet enabling large-scale mass digitisation for making all in-copyright works in a cultural heritage institution available on-line without territorial limitations. Such a wide exception to the exclusive right is not supported in this paper as it would not be compatible with international norms. We would, however, submit that the solution provided by the ECL system comes closest to reconciling the interests of the various stakeholders, i.e. rightholders, as well as other cultural heritage institutions, and the general public. The ECL system can indeed enable cultural heritage institutions to digitise and make in-copyright works, including orphan and out-of-commerce works, available online, without having to ask each and every rightholder or make a diligent search for each and every work.

An interesting feature of the ECL system is that it relies on a combination of hard law and soft law. Given the different needs of the cultural heritage institutions, the more flexible soft-law approach provides scope for catering to different needs and different uses whereas the hard law approach gives the needed legal certainty with regard to outsiders. A remaining problem is

²³⁹ HLG - Copyright Subgroup, *Interim Report on Digital Preservation, Orphan Works and Out-of-Print Works* (2006), 6.

²⁴⁰ Cf. Stef Van Gompel and P. Bernt Hugenholtz, "The Orphan Works Problem: The Copyright Conundrum of Digitizing Large-Scale Audiovisual Archives, and How to Solve It", 8 *Popular Communication - The International Journal of Media and Culture* 61-71, 66; Robin Kerremans, Katleen Janssen and Peggy Valcke, "Collective solutions for cultural collections online: Search and select!" (2011) 6 *Journal of Intellectual Property Law & Practice*, 649; Oostveen and Guibault, *IPR issues* (o.c. footnote 73), at 27; Martin Kyst, "Aftalelicens - Quo Vadis?" (2009) 78 *NIR* 44, 51.

²⁴¹ *Supra*, Section 1.

the lack of legal certainty with regard to cross-border online use of national ECL agreements, even for non-commercial use by cultural heritage institutions. In our view such certainty could be provided through EU legislation which should specify minimum norms for national ECLs to have wider EU effect.